STOCK MARKET UNDER NEW INFLUENCES ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

JUNE 21, 1958 85 CENTS

BUSINESS AND ECONOMICS

...ur National Debt Is Much ...reater Than You Think

— What are the facts?

...ames J. Butler and McLellan Smith

★ 1958 Special Report ★

on NATURAL GAS INDUSTRY

— With an appraisal of individual companies
— by area — earnings-dividend outlook

By Owen Ely

HOW VALID NEW INTEREST IN GOLD SHARES?

By Frank Kiser

★

CHANCES FOR STOCKS ...AT HAVE DECLINED SHARPLY

★

SOUTHERN PACIFIC ...UILDING FOR THE FUTURE

★

What Is Best DUPONT STOCKHOLDERS Under Distribution Plans of GM Shares

...nalysis of Government and DuPont Plans

By Harold B. Samuels

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 102, No. 7 June 21, 1958

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Our cover: "Action on the High Seas," shows Bell System laying telephone cable 665 miles off Oahu-Hawaii. Photo credit – Bell Telephone Co. Photo credit page 353, The New York Times.

SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions. Pan-American, Canadian and Foreign Postage, $3.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England

Cable Address — Tickerpub

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

The Trend of Events

Business Is Better . . . Indications of a turn for the better that we noted in our March 15th issue are now being confirmed. And it is good to be able to report that if we have not yet bottomed out, at least we have reached a point in absorption of consumer goods and services that seems to be stabilizing at a reasonably high level. In addition activity in the consumer durables, as well as in public and private building, is beginning to show improvement.

This is all to the good psychologically, and will keep us from grasping at the straws of expediency —the pros and cons of political suggestions that were getting us nowhere fast.

The rise in retail sales has brightened the picture, and as the natural forces of demand assert themselves after months of declining buying, one section of our economy after another will begin to perk up.

If we have learned anything during this recession, it is the fact that the breadth and depth of consumer buying power in this country is our great pillar of strength. For after all, out of 65 million employable people in this country, we have to cope with but 5 million out of work and on relief, and it appears we are handling the situation with great efficiency in the light of the depth of this serious depression, which has been one of intense overproduction resulting from World War II, when the United States was the arsenal for the world.

Meanwhile, there is still much to be done to shore up ailing industries – to correct the still massive overproduction—before our economy can get on a really profitable basis. Consequently, while we are heartened by the modest improvement shown, our attitude must still be one of stop – look – and listen.

Tourists to Spend $18 Billion at Home . . . Roving Americans, according to the American Express Survey and Forecast, will spend the staggering sum of $18 billion vacationing in the U.S.A. this year. This will be some $92 million more than was spent in 1957, when national parks clocked in 59,284,869 visitors. And it is a very healthy sum, from which our economy as a whole will benefit.

The principal beneficiaries of this windfall in 1957 were: New York, $2.5 billion—New Jersey, $1.5 billion—Florida, $1,430,830,000—Pennsylvania, $1,050,000,000 – California, $787,298,000 (out-of-state only)—Illinois, $775 million—Virginia, $650 million ($1 billion, all tourists)—Michigan, $600 million—Texas, $531 million—Kentucky, $500 million.

There is also an increasing number of foreign visitors to this country, which is swelling our invisible balance of trade and at least partially offsetting the huge sums spent by Americans abroad every year. This last is a very healthy situation, for it will enable the citizens of other lands to get to know us better by becoming familiar with our thinking, our way of life and the infinite variety of goods we have to offer.

Travel has become a big industry in the United States. Travel, not just to get someplace, but travel just for the sake of travel. Is there any other country so fashioned by nature for it?

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS::1907—*"Our 51st Year of Service"*—1958

As I See It!

By CHARLES BENEDICT

THE IMPACT OF FRENCH RESURGENCE

— On the Free World — Communist Dynamism — and Oil

AT THE moment we are in the process of watching the ripples and eddies in the maneuvers between the opposing Paris-Algerian factions as the ego of the dissident groups dominates the fight to hold on to their power—apparently without that sufficient regard for their special interests, which are bound to suffer from a slow-down in the momentum of the De Gaulle political blitz.

Because they have no other choice but to follow his lead under France's critical circumstances, they have everything to lose and nothing to gain from throwing obstacles in the path of De Gaulle's resolve for a rapid solution that will set France on her feet economically and politically.

This is so apparent in itself that it does not need the additional fact that obstructionists and anti-French factions are already bestirring themselves, so that the element of time too is against any further procrastination in accepting the De Gaulle program.

It was inevitable that the world, electrified by the circumstances of De Gaulle's rise to power, should, after the shock was over, begin to take sides in accordance with their own interests.

In fact, the good will for De Gaulle, which is gaining momentum in the United States and Britain, is bound to strengthen his hand in dealing with the recalcitrant cliques—because the final outcome which is likely to provide for Algerian autonomy within a French Union, would mean a first step in forging a solid chain of North African nations aligned with the West, since there is every prospect that Tunisia and Morocco, both of which belong in the French currency zone, will voluntarily associate themselves with a French Commonwealth Plan.

What such an alignment would mean for France —indeed for the whole Western World—cannot be over-estimated. For one thing, it has now definitely been established that Algeria contains very large oil reserves, not only of great financial value, but of enormous strategic importance too, as an offset to the Soviet-Egyptian scheme to strangle Western Europe economically and politically through control of the oil-rich Middle East.

While only modest shipments of oil (about 8,500 barrels daily) have been reaching France from Algeria, the prospect is that within five years the area might be able to supply the bulk of France's oil needs, and perhaps within a reasonable time, may even help to supply oil to other European countries. A large pipeline from Marseilles via Strassburg to the German refinery center of the Ruhr is already in the planning stage. Such a line could be used for either Middle East or Algerian oil, which would give it an exceptional degree of flexibility.

Since Western Europe's dependence on Middle East oil is the continent's Achilles heel, the possibility of large-scale alternate supplies from a territory associated with a member country of the European Common Market could bring about a new degree of European political independence. This is not to say that the oil supplies in the Sahara have yet given signs of being equal to the vast reserves of the Middle East, but as an alternative supply source capable of meeting in the foreseeable future even 20% or 25% of Western Europe's oil needs, it would greatly de-emphasize the Middle East's dangerous key role in Europe's affairs.

Another result would be the decline of Colonel Nasser's powers. Colonel Nasser has tried to make the entire Arab world his private domain. When he speaks he tries to give the impression that he does so for all Arabs from Western Morocco to the Indian Ocean. If it should become possible for 9,000,000 Arabs to shake off the shackles of Cairo and

come to an amicable settlement with a European power, which Radio Cairo has consistently vilified as "super-colonialism", it would be the most severe blow yet dealt to the Egyptian dictator's ambitions.

Thus, if General De Gaulle can follow through on what he has set out to do, it will not only bring about a material and spiritual renaissance of France herself, but would enhance the position of the entire free world.

At the same time, the emergence of a French federation that would include the independent states of Algeria, Morocco and Tunisia would cut the ground from under the Soviet and Egyptian anti-French imperialist - colonialist propaganda. But more than that, when allied with Euratom and the Common Market Countries, backed by the United States and Britain, a great new power bloc would come into being that could stop the dynamic advance of Communism. The influence on the neutral nations would be enormous, and most likely would bring a complete reexamination of world power and second thoughts that could lead to shifts in alignments from which the West could benefit greatly.

The Middle East Arab states in particular will be watching the outcome of the struggle in Lebanon, reputedly instigated by Nasser's United Arab Republic. At the moment it is giving increased signs of reaching a climax, where only a short time ago fears of a sudden coup had been expected, to be followed by attempts to overrun Iraq, Iran and Jordan.

IN ALGERIA: With General Salan, the Premier reviews troops on arrival in Algiers.

If Nasser had counted on being backed up by the Soviet Union, he must have been very disappointed when the U.S.S.R. abstained from voting on the matter of sending UN observers to check into the situation in Lebanon. The propaganda value was important even though the UN observers had no power to order troops in. To what extent the Russian abstention was based on the Kremlin's belief that De Gaulle would succeed and that the ambitions of Nasser for control of the North African states would be stymied, is a matter for interesting conjecture. There has already been a great deal of flirting with the oil-rich Arab states, ostensibly in behalf of Nasser, with a lot of backing and filling in the oriental manner.

But now that it is becoming clear there is a point at which the West will fight, we can expect interesting developments in Russian techniques. Where at first they seemed shocked into silence when De Gaulle came to power with such ease, in the past few days Pravda launched a bristling attack on De Gaulle and gave the go ahead sign to Jacques Duclos, the Communist chief in France, in an apparent attempt to stir up all the trouble they possibly could, although the indications are that the Communists will have very little success in a France whose citizens are enjoying great economic prosperity and are ready to back their faith in De Gaulle after having shrugged off 25 regimes since 1945.

Much can happen in this cynical world, but it truly does seem that De Gaulle's rise to power was not only an act of destiny for France, but may be the turning point too in the struggle between the Communist and the Free World. —END

Stock Market Under New Influences

The market is discounting the later recovery in business activity and corporate profits far ahead of events, putting heavy reliance on money-rate factors, inflation possibilities and growing mutual-fund operations. Many stocks are being increasingly over-valued. Correction will be needed, and will come in due course.

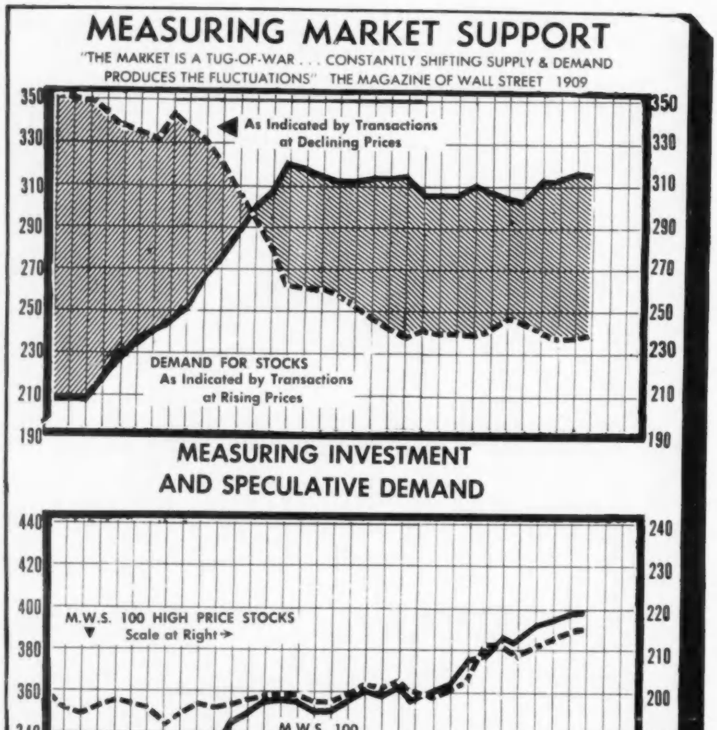
By A. T. MILLER

The market's April-June upswing was extended over the last fortnight, under rotating leadership. The industrial and rail averages again got to new 1958 recovery highs, utilities to another bull-market high. The industrial list has now made up about 54% of its 1957 July-October fall of 101 points.

Following a few days of congestion and a slight dip in the forepart of last week, on which trading volume contracted, vigorous upward tendencies were resumed in the Thursday-Friday sessions, accompanied by increased share turnover. Excessive or not, fanciful or not, the market indicates that speculative sentiment remains bullish, optimistic, hopeful, whichever one chooses to call it.

Sentiment Versus Facts

Whether the statistics concerning stock values are good, fair-to-middling or poor, investors see through dark-colored glasses at times, rose-colored glasses at other times. As for some weeks past, they are looking at "the sunny side of the street" now. There is some response to almost any item of good news, however limited may be its real significance; while unpleasant news is largely ignored. Sentiment can dominate the market for fairly extended periods; but the realities now being swept under the rug cannot be kept there indefinitely. Increasing over-valuation seems evident in many stocks, mostly in cyclical-type and popular "growth" equities which are being appraised more on the basis of past records than on likely earnings of the next year or two. Whether delayed for additional weeks or months, correction of excess is as inevitable as night following day.

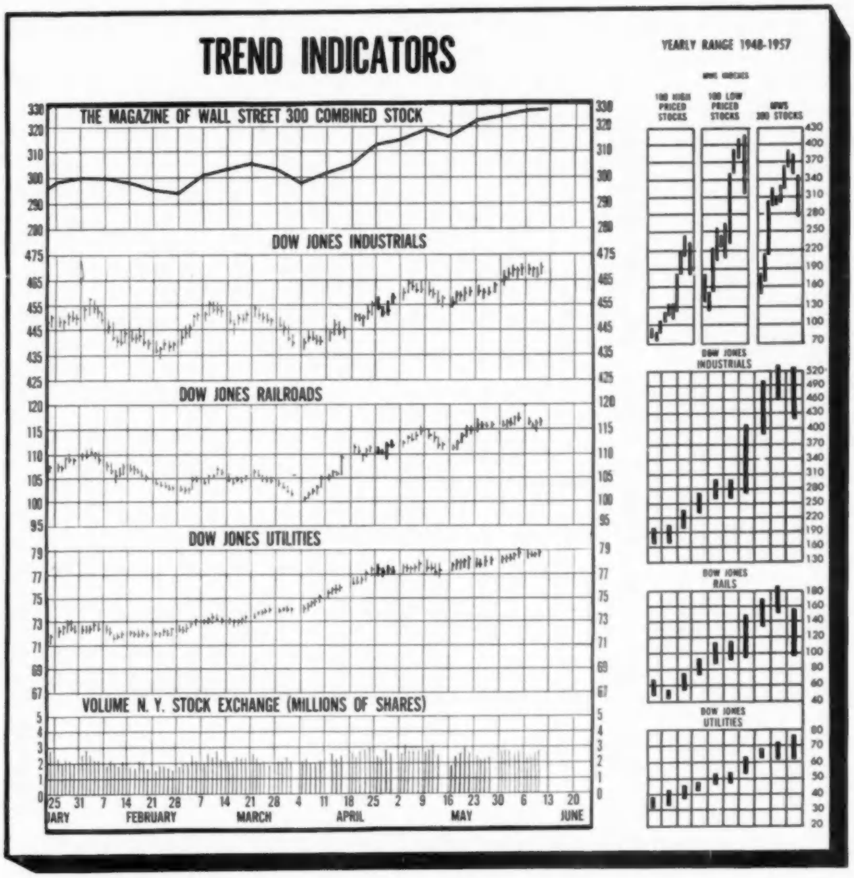


This, of course, is not the first time that a market advance has run far ahead of improvement in business activity. For example, the industrial average recorded a minor bear-market low in September, 1953, and had risen roughly 19% by the time the production index hit bottom about six months later in March, 1954. At the latter point the average was at a new postwar high. By the final 1954 month it was up some 58% to a new all-time high, with production up little over 6% in a gain centered almost entirely in the fourth quarter.

However, as between that period and the present one, there are important differences in fundamentals. The 1953-1954 recession was considerably milder than this one. It did little damage to total 1954 corporate profits, thanks to expiration of

the excess profits tax which had been imposed in the Korean-war period. Indeed, earnings on the industrial average rose from $27.23 "per share" in 1953 to $28.40 in 1954; dividends from $16.11 to $17.48.

Again, the early postwar undervaluation of representative stocks had persisted through 1953 and well into 1954. Cash-dividend yield on representative industrial equities averaged around 6.3% at the market's 1953 low, and was nearly double return from bonds. As late as December, 1954, it was still 4.4% and exceeded bond yield by about 50%. Against that, stock yield went no higher than about 4.6% at the market's October, 1957, low, at which it exceeded bond yield by less than 20%. Right now the comparable stock yield is under 4%, the spread over bond yield still less than 20% and historically on the narrow side.



Unlike 1954, earnings in recession-sensitive industries are now depressed—more so than in any slump since 1938 as measured by percentage decline. In the first quarter, they were $5.75 on the industrial average, off 38% from a year ago. The second-quarter figure probably will be lower, that for the third quarter little changed. Apparently it would take a fourth-quarter rebound to a level approximating that of the 1956 final quarter—which was the boom top in production—to bring full-year earnings to around $26, against 1957's $36.08. We would be happy to see as much as $25, and even that much is not assured.

Price-Earnings Ratio High

Both currently and on a full-year basis, the average's price-earnings ratio is, of course, high. That is always so when earnings are largely depressed. The market tries to look ahead. What's ahead is a matter of opinion. Our opinion is that representative industrials are far from cheap on the probable annual-rate earning power attainable in the fourth quarter or in the 1959 first half.

Consider dividends. As heretofore noted, they gained moderately in 1954. In 1955 they rose over 23.5% to $21.58 on the Dow average; and in 1956 over 6.5% to $22.99. In the 1958 first quarter they were $4.96, against $5 a year earlier. The first-quarter payout was an abnormally high 86% of earnings, against an average of 60% in 1957. No strong dividend rise is conceivable in the next six to twelve months. On the contrary, it would take more than a moderate improvement in fourth-quarter business activity to prevent some shrinkage in 1958 payments, applied to the average.

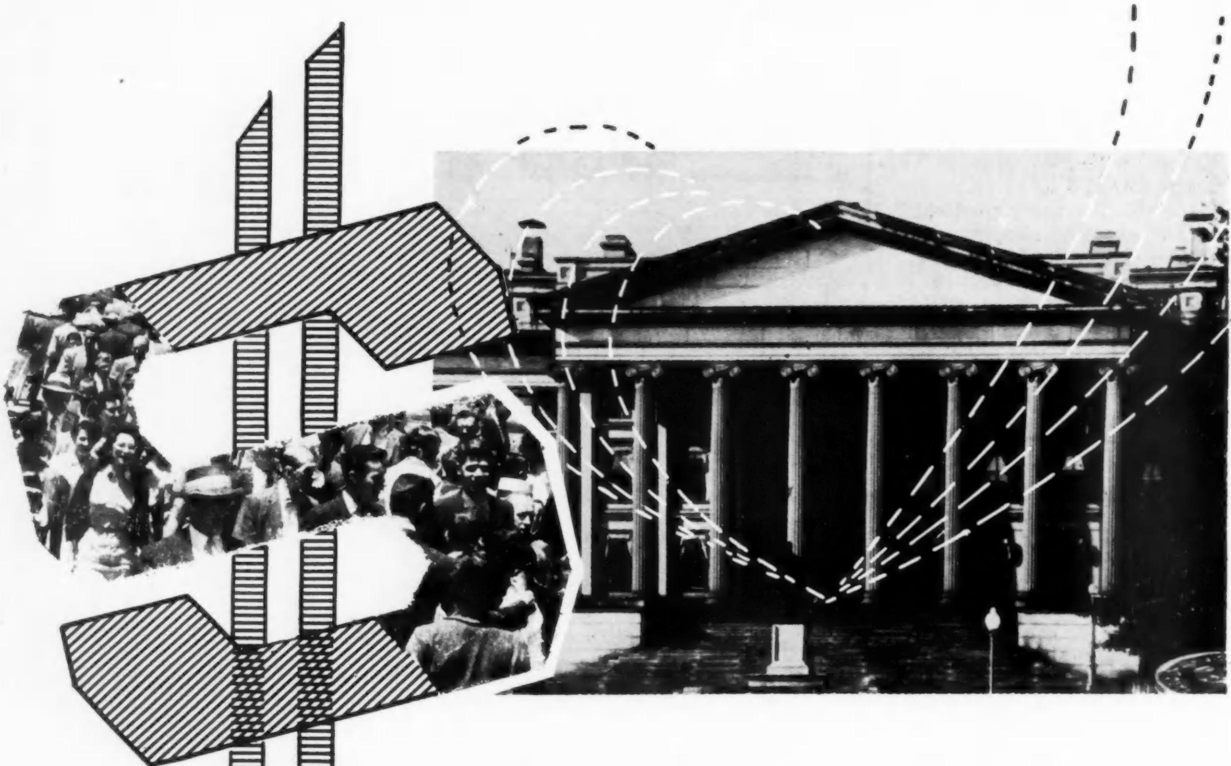
Some Business Improvement Seen

There is evidence that the business recession has entered the saucering-out phase of stability, and that there is basis for some improvement ahead. Largely due to increased steel activity stemming from inventory replenishment, and a seasonal upturn in low-level automobile output, the Reserve Board production index gained one point in May. Unemployment was reduced a little. There were small gains in housing starts and personal income. Retail sales showed some signs of improvement.

The Possible Plus Factors

Total governmental spending is rising gradually and will continue to do so. Total consumer income and consumer spending (mainly for services and soft goods) have been well maintained. The dynamic recession pressures have been inventory liquidation, which reached a high $9-billion annual rate in the first four 1958 months, and the sharp downward trend in plant-equipment outlays.

With fears of a depression spiral relieved, inventory liquidation will taper off; and consumers probably will spend more freely, even to some extent for hard goods. These are the two main shifts likely to bring some business rebound. But the market has largely discounted it; and the next boom in capital goods, housing, consumer durables and total corporate profits is an extended time away. A selective policy remains in order.—MONDAY, JUNE 16.



Our National Debt is much greater than you think

—What are the Facts?

By James J. Butler and McLellan Smith

The National Debt of the U.S. today actually stands about twice as high as the $276 billion figure that appears in the Treasury's daily statement and may run even higher when contingent (but no-less legal) liabilities are added to those items which are formally included as components of the debt.

The devices which have brought on this eye-opening condition are of relatively recent origin; three decades for the most part. They do not spring from bookkeeping choices or find their source in accountants' handbooks. The U. S. Treasury, contrary to a notion which appears to exist in the Halls of Congress and elsewhere, could not liquidate the national debt today by paying creditors $276 billion dollars. There still would remain guarantees, participations, commitments of many description that would continue during the usually long life of the contracts made under Congressional approval. In most situations, the role of the Treasury is that of indorser, but not in all. Many enterprises owned in whole or in part by the United States Government operate with little surveillance except that of post audit.

Then there is a vast area of what might be called "suspended," as distinguished from contingent liability—the contingency is fended off by a much thinner barrier. This includes the billions of dollars the Treasury has collected in Social Security taxes, highway funds, numerous others, and which exist today as bookkeeping entries. As the calls come they must be met. And there is no way to regulate the flow of these demands to meet the convenience of the Treasury payout office.

This is not to suggest that a situation of grave danger exists. It is intended only to remind us that there is a major aspect of Federal finance that appears to have had a Topsy-like growth! It was not so conceived; it had small beginnings from which it just "growed and growed," because it was convenient in days of stress—mostly in the "new deal" '30s and it afforded a method to finance new ventures in Government without intruding unwelcome statistics into the national debt picture.

With one increase in the national debt already voted this year and another believed to be just around the corner, no facet of the Federal financial picture should be dropped from the evaluations which must be made before additional obligations are assumed by the Treasury. In fact it would serve a good purpose, to bring under one cover the exact debt position; only then, can the true asset picture

be developed and the results intelligently placed in parallel columns.

Let's Look at the Picture

The national debt does not hang over the country with the imminent threat of an overdue mortgage on the old homestead. Maturities are well spread, refinancing has not been and won't be a problem; precious little has been done to reduce the overall debt figure, but that status has resulted from a series of decisions regarding tax levels to some extent, government economy to a degree, defense and international policy in a very important part. None of these policies are irrevocable. In short, effective steps can be taken if the need appears. But the existence of need may not be discovered until much more onerous action becomes necessary, if all parts of the "national obligation" scene are not viewed as one complete whole.

On the other side of the coin, not enough is known about the assets position to enable a meaningful trial balance to be struck. That is understandable. A fleet of bombers or battleships, or a string of national forests have great value for intended purposes, but hardly are to be considered productive or marketable. The same is true of public buildings and utilities. And that isn't important, either. A nation, like any business, is solvent when it has the available means to meet obligations as they accrue. On this basis the solvency of the United States passes tests with flying colors. The point that is raised is this: Wouldn't it be wise before embarking upon new, or extending old ventures into non-government areas—private enterprise fields—to collate ALL of the data and ask: "Whither are we heading? What might be the effect on government and on industry—might there be over-extension on the one hand and a hastening of business atrophy on the other?"

Politics Ousts Realities

President Eisenhower seemed to recognize this in his 1957 State of the Union message to Congress. He recommended a comprehensive study of national and private monetary policies, the degree to which they fitted into, or collided with, an overall pattern, and whether new tacks were suggested by the experience of the past. The excellent idea was torn apart in a wrangle over congressional committee jurisdiction. It fell by the wayside.

The plan of study suggested by the President was not motivated by the need to find a speedy cure-all, or even divert attention from, a business recession. None existed at the time. Prosperity was abroad in the land; the climate for taking testimony was excellent. The President may have had in mind the economic study made almost half a century ago, under the chairmanship of Senator Nelson Aldrich, Rhode Island republican. The committee put three years into study of the Nation's public and private monetary policy. Many of the recommended shifts were made, legislatively or on the basis of their own soundness by joint voluntary action. But 50 years

Outstanding Federal Loans, Guarantees, and Insurance

BY FUNCTION AND AGENCY OR PROGRAM

As of June 30, 1955, 1956, and 1957

(Millions)

	1955		1956 Estimated[1]		1957 Estimated[1]	
Function and Agency or Program	Direct Loans and Investments	Guarantees and Insurance	Direct Loans and Investments	Guarantees and Insurance	Direct Loans and Investments	Guarantees and Insurance
Total	$16,943	$45,392	$16,274	$52,501	$16,158	$60,036
Commerce and Housing	3,987	44,213	3,977	50,484	3,819	58,383
Housing and Community Development	3,439	43,777	3,541	50,155	3,548	58,110
Federal National Mortgage Association	2,584	....	2,517	....	2,379	38
Urban Renewal Administration	37	31	50	48	58	85
Community Facilities Administration	81	....	117	....	183	....
Federal Housing Administration	207	18,703	227	20,969	284	24,366
Public Housing Administration	99	2,735	109	2,998	119	3,326
Veterans Administration	431	22,308	521	26,140	625	30,295
Finance, Commerce, and Industry	548	436	436	329	271	273
Expansion of Defense Production	284	395	284	270	124	208
Small Business Administration	35	22	78	39	89	51
Reconstruction Finance Corp. Liquidation	229	19	74	20	58	14
Agriculture and Agricultural Resources	5,058	1,081	4,344	1,858	4,344	1,307
Rural Electrification Administration	2,285	....	2,422	....	2,567	....
Farmers' Home Administration	767	94	766	162	773	216
Commodity Credit Corporation	1,151	987	254	1,696	70	1,091
Federal Intermediate Credit Banks	855	....	902	....	934	....
International Affairs and Finance	7,898	98	7,953	159	7,995	346
Loan to United Kingdom	3,567	....	3,519	....	3,470	....
Export-Import Bank	2,639	98	2,619	159	2,589	346
International Cooperation Administration	1,692	....	1,815	....	1,936	....

1—In The Budget of the United States Government for the Fiscal Year Ending June 30, 1957. Source: Bureau of the Budget.

have intervened. In that period there have been two major wars and one serious conflict (Korea) in each of which the finances of the country were strained in more shapes than new generosities. Too, there has been a depression, and a new attitude toward the position of the United States as world banker. Each passing event has served, it seems, to draw the Nation farther from a line of true perspective. Too often, perhaps, the diagnosis has been in error and in such cases it must be assumed the prescription, too, was wrong.

The Costly Financial Role of Government

In the half-century since the study by Senator Aldrich's committee, the Federal Government has embarked upon a series of endeavors, enterprises or whatever one may wish to call them, that strain the free enterprise concept. Included are compulsory retirement annuities (Social Security); Federally financed electric utilities; Government guaranteed home mortgages; insurance of bank and savings and loan deposits; guarantees of crop prices; Federal support of a highway program; life insurance for the uniformed members of the Armed Forces, and the veterans of service in those Forces; retirement annuities for civil service employees—to name a few. Some of this vast array of projects are intended to be self-supporting, self-liquidating. But a basic fact, that cannot be overlooked, is that all of them are guaranteed by the Federal Government.

Also something new on the scene is the Government Corporation, financed in the main by the Federal Treasury which holds the corporate securities. Those securities not issued by the Federal Treasury are fully guaranteed by the Treasury.

The Social Security Fund Device

Another device by which the true Federal debt has been kept from clear view, is the so-called Trust Fund. Briefly, a specific tax—such as the Social Security levy—is collected for the purpose of honoring Social Security claims. This money, as soon as collected, goes into the general fund of the Treasury which in turn spends it to meet current liabilities, giving the Social Security a bookkeeping credit, plus $3\frac{1}{2}$ percent interest for the use of the money. The balance of this fund now is around $21 billion—very little of which exists more tangibly than as a Treasury bookkeeping entry. Experts in the Social Security section of the Office of Health, Education & Welfare are unable to approximate the System's contingent liability at this time. Casual estimates range from $40 billion to $100 billion. During the current fiscal year, benefit payments will exceed income (Social Security tax payments) by around $300 million. Scheduled tax increases may not keep abreast. In the meanwhile, practical insurance men have said the total payroll tax must hit 18% if the fund is to remain soundly based in the next 80 years. Nevertheless, it is guaranteed by the Treasury—a contingent liability of from $40 billion to $100 billion.

More Billions in Government I.O.U.'s

What has been said above is also applicable to the Railroad Retirement Fund and the Federal Employees Retirement Fund. The figures are smaller,

Financial Operations of Federal Business Enterprise in Revolving Funds[1]
Fiscal Years 1951, 1955, and 1957
(Millions)

	1951			1955			1957 Estimated[2]		
Agency or Program	Funds Spent on Operations	Funds Received from Operations	Net Expenditures	Funds Spent on Operations	Funds Received from Operations	Net Expenditures	Funds Spent on Operations	Funds Received from Operations	Net Expenditures
Total	$7,388.3	$7,094.3	$294.0	$11,587.0	$8,150.1	$3,436.8	$9,750.5	$8,485.3	$1,265.1
Commodity Credit Corporation	2,378.0	2,959.2	−581.2	6,318.3	2,905.3	3,413.1	5,029.6	3,606.2	1,423.4
Expansion of Defense Prod.	245.3	107.3	138.0	639.2	497.2	142.0	343.5	304.2	39.2
Export-Import Bank of Wash.	280.7	205.1	75.7	228.9	329.8	−100.9	290.9	390.9	− 99.9
Farmers' Home Administration	.3	.5	− .2	101.0	90.3	10.7	59.6	78.6	− 19.0
Federal Crop Insurance Corp.	12.9	14.6	− 1.6	30.0	22.8	7.2	23.6	26.3	− 2.7
Federal Facilities Corporation	....	....	....	285.1	681.0	−395.9	2.6	2.7	− .2
Federal Home Loan Bank Board	15.2	106.5	− 91.3	4.2	28.8	− 24.6	6.1	39.6	− 33.5
Federal Housing Administration	61.8	77.0	− 15.2	142.1	184.0	− 41.9	136.3	207.4	− 71.1
Fed. Intermediate Credit Banks	1,936.8	1,734.2	202.6	1,933.8	1,874.7	59.1	2,106.0	2,077.1	28.9
Federal National Mort. Asso.	901.2	480.2	421.1	699.0	461.8	237.1	329.7	584.4	−254.7
Panama Canal Company	27.8	28.1	− .3	85.8	89.7	− 3.9	82.0	79.8	2.2
Public Housing Administration	292.0	166.3	125.7	293.2	375.2	− 82.0	584.0	474.8	109.2
Reconstruction Finance Corp.[3]	867.9	960.0	− 92.1	....	....	....	....	....	....
Small Business Administration	....	....	....	29.3	9.2	20.1	36.1	22.3	13.8
Tennessee Valley Authority	180.4	108.2	72.2	386.0	214.3	171.7	206.1	257.1	− 51.0
Veterans Administration	82.6	25.6	57.0	157.1	99.6	57.5	180.6	125.0	55.6
Other	105.2	121.5	− 16.3	254.0	286.4	− 32.5	333.8	208.9	124.9

1—Excludes intragovernmental funds and postal service fund; detail will not necessarily add to totals because of rounding.
2—In The Budget of the United States Government for the Fiscal Year Ending 1957.
3—In liquidation as of July 1, 1954; liquidating assets assigned to and included in other agencies.
Source: Bureau of the Budget.

Federal Government Trust Fund Receipts and Expenditures[1]

Fiscal Years 1946, 1949-1957

(Millions)

	1946	1949	1950	1951	1952	1953	1954	1955	1956	1957 Esti-mated[2]
Total										
Receipts	$7,712	$5,714	$6,669	$7,796	$8,807	$8,929	$9,155	$9,536	$11,685	$11,890
Expenditures	4,474	3,824[3]	6,950	3,945	4,952	5,169	6,769	8,545	9,389	10,200
Federal Employees' Retirement Funds										
Receipts	614	680	809	850	912	961	691	708	1,025	1,067
Expenditures	267	222	268	271	300	363	411	430	507	554
Fed. Old-Age. & Survivors' Ins. Trust Fund										
Receipts	1,386	1,924	2,367	3,411	3,932	4,516	5,080	5,586	7,003	7,336
Expenditures	358	661	784	1,569	2,067	2,750	3,405	4,487	5,551	6,250
Railroad Retirement Account										
Receipts	312	625	645	678	850	742	737	700	739	770
Expenditures	152	278	304	321	391	465	502	585	611	650
Unemployment Trust Fund										
Receipts	1,280	1,173	1,281	1,542	1,643	1,594	1,492	1,425	1,728	1,610
Expenditures	1,146	1,314	2,026	900	1,049	1,010	1,745	1,965	1,393	1,603
National Service Life Insurance Fund										
Receipts	2,351	690	1,076	684	786	637	619	590	649	602
Expenditures	280	348	2,988	614	996	588	623	538	512	506
Government Life Insurance Fund										
Receipts	103	92	87	86	87	79	78	78	74	73
Expenditures	50	61	114	77	82	82	147	84	88	88
Other Trust Accounts[4]										
Receipts	1,666	529	403	545	597	401	457	449	466	432
Expenditures	1,574	526[3]	370	387	413	441	495	399	538	739
Deposit Funds (net expenditures)	647	414	96	−194	−346	−529	−558	56	190	−189

[1] Excludes investment transactions, except for deposit funds which, prior to 1951, include net investments of mixed-ownership corporations; detail will not necessarily add to totals because of rounding.
[2] In *The Budget of the United States Government for the Fiscal Year Ending June 30, 1957.*
[3] Excludes Foreign Economic Cooperation Trust Fund.
[4] Beginning with 1954, includes Railroad Unemployment Insurance Administration Fund.
Source: Treasury Department.

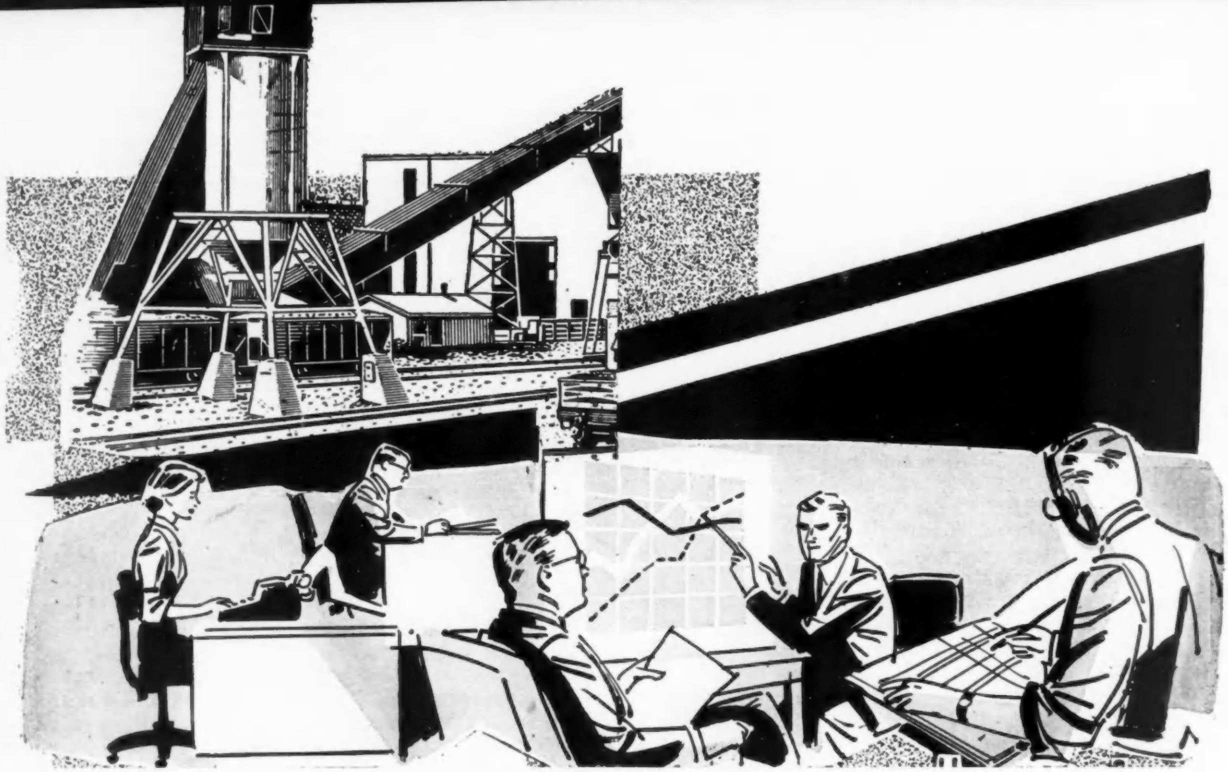
that is all. Both are guaranteed by the Federal Government and perhaps add up to a contingent liability of around $20 billion. As a matter of fact, the Federal Employees Retirement Fund is overdrawn and may dip deeper into trouble since Congress has approved a raise for retirees. Newest of the Trust Funds is that established for the stepped-up Highway Program. Collections from the increased automotive excises—gasoline, oil, tires and retreaded tires—are running slightly ahead of increased highway expenditures. How long this condition will exist, is guesswork. In any event, this is one Trust Fund which may not load the Treasury with a large liability.

Thumbing through the bulky 1959 Budget one finds a six-page table of Trust Funds. Fiscal 1959 receipts of these funds are estimated at $16.6 billion against expenditures of $16.4 billion, an apparent gain of $200 million. What is not shown is the contingent liabilities of these Funds. In a Summary of "Major Trust Fund Balances Available at the Start of the Fiscal Year," the Budget Bureau reports $52.6 billion. The availability amounts only to the credit of the Federal Government; in brief, a present liability amounting to nearly 20% of our present statutory debt limit of $280 billion. Contingent liability is certainly greater. These are obligations to be met, timed to future trends and events.

Thus we enter fiscal 1959 in debt to our Trust Funds to the sum of $52.6 billion. It is true the debt will not be "called" in one fell swoop, but it must be considered that many of these Trust Funds—Social Security, Railroad Retirement, Federal Employees Retirement, Unemployment—may, at any unexpected moment, be faced with demands much higher than normal. All of these involve potential liabilities running far above and beyond their current balances.

And Now the Government Corporations

Turning again to Budget Bureau statistics we find 17 Government-owned corporations, and four others which are not wholly Government financed. Of the 17, all but three—Federal Crop Insurance Corporation, Federal Facilities Corporation and the Commodity Credit Corporation (now about $6 billion in the red)—are in areas usually left to management and operation by private enterprise. Some of the 17, among them the Export-Import Bank of Washington, Federal Saving and Loan Corporation, Home Owners Loan Corporation and Federal National Mortgage Association, are showing a profit, which goes into the Federal Trust Fund account for any pressing need for cash. In short, sharp depression forces working against any or all of these corporations could cause (*Please turn to page* 390)



Chances for Stocks That Have Declined Sharply

By Edgar T. Mead, Jr.

In the process of pushing to high-ground in 1958, the general stock market average has carried with the tide many of the cyclical industrial stocks whose earnings are still relatively poor and prospects not indicative of an early upturn. It may be observed that a not inconsiderable group of stocks have improved from the low points registered early this year or late last year, but more importantly, they are still far below their individual high prices, reached in 1955, 1956 or 1957. The investor naturally wonders what chances there are that nearby or medium term prospects might engender a revival of these former liberal market valuations.

In any study of the chemical, machinery, mining, metals and railroad companies, it will be perceived that the former high prices were achieved mainly on the anticipation of record high earnings. Whenever stock leverage came into play and where there was a relative shortage of available stock, the prices thereby tended to become "bid up" by inordinate pressures. Certainly one might levy the accusation that these market prices were sometimes wholly unjustified, and the confidence and eagerness of investors seemed to be based upon emotional rather than statistical grounds.

Cyclical downturns in sales and earnings accounted for price reaction in stocks of heavy industries, accompanied by the rather disheartening realization that the inflationary trends of labor and material prices were pinching profitability. Sales increases were merely reflecting raised prices for goods, rather than increased volume, and unit margins of profit suffered from the immutable cost squeeze. At this point, it is disturbing to realize that little real change for the better in the cost level is foreseeable. Inventories are still high in relation to shipments, and new orders have shown no clear upward trend, although enlivened here and there by seasonal factors and occasional instances where certain classifications of durable goods were running short owing to previous plant shutdowns.

Allied Chemical Corp. represents a situation that is typical of the chemical industry this year, in which wages have spiralled upward, the price structure is not firm, and the tremendous cumulative build-up of industry capacity has given birth to overproduction. The impact of the recession has found Allied still attempting to modify existing plants and trying to open expensive new facilities, with the result that theoretically efficient operations are being restrained by the low rate of production. As a result, earnings during 1958 may not extend far above $3.00 per share, indicating a severe drop from the $4.37 per share of 1957 and suggesting a poor margin of coverage for the $3.00 dividend. The current price of 76 spells a 41% retreat from the high of 129½, which reflected unrealized estimates for increased sales and improving earnings. Chemical capacity has apparently reached such a peak that it may take several years for demand to overtake sup-

ply. Certainly Allied's prospects should be measured with this view in mind, all of which suggests that higher prices for the stock may be far distant.

American Smelting & Refining Company is considered to be the largest custom smelter and refiner of non-ferrous metals, and the company possesses extensive holdings in mines throughout the world via direct and associated ownership. Copper, lead and zinc are of major importance, and a large asbestos mine is to open this summer. A preliminary estimate of Asarco's earnings in 1958 indicates a level of around $2.20 per share, providing exceedingly narrow coverage for the reduced dividend of $2.00 per share. Although long term values for this top-grade company are of the highest order, it is possible that the common stock of Anaconda represents better value at the same price–dividend–and dividend yield, in view of descending prices for lead and zinc, which affects Asarco, and improving prices for copper for the time being, which may benefit Anaconda more directly.

Atchison, Topeka & Santa Fe Railway is widely conceded as best in the Railroad Group from all-around traffic, operating and financial points of view. Because costs of railroad operation have become increasingly rigid, it is more difficult to control expenses in relation to decreasing traffic volume. As a result, Atchison's 1958 earnings per share may decline by about 25% below last year's $2.30 per share. From the high price point of 34⅝, Atchison's common shares have dropped nearly 40%, reflecting not only the revenue and income reduction but also the serious situation faced by all common carrier railroads. It is possible that Congress may approve of beneficial legislation, and this should prove helpful but cannot be construed as the lasting cure. Atchison common stock provides a worthwhile dividend return (about 6.3%), but the prospects for Atchison's price rise to former higher levels does not seem close at hand.

Beckman Instruments Incorp. stock sold as high as 47¾ on the mixture of glamor, mystery and tantalizingly high earnings estimates which surrounded the advanced electronic systems makers. In the meantime, a combination of factors, notably a constricted cash position, debt problems, a severe drop in certain types of orders, and organizational difficulties produced no more than marginal operations during 1957 and may generate a loss during fiscal 1958. Management appears to be making gradual headway, new orders are slowly improving, and the long-term outlook for electronic systems seems rather bright. Until the problems are resolved, however, it might be better, as an investor, to stand on the sidelines.

Boeing Airplane Company is closely identified with large military aircraft, notably the B-52 Stratofort. Hence, it is understandable when military orders appeared subject to retrenchment and the trend seemed to favor guided missiles, that Boeing common stock consequently became less attractive. The program for the B-52 has meanwhile been extended, the company is building KC 135 aerial tankers, and there are civilian orders on hand for jet 707s and 720s. Boeing is also heavily engaged in the Bomarc missile, which is to be adapted for liquid or solid fuel. The backlog has improved since December, and it appears that 1958 earnings may exceed $6.00 compared with $5.49 last year. The medium term prospects therefore seem favorable, and Boeing is considered to be one of the more attractive vehicles for a participation in the military and civilian aircraft

Vital Statistics on 20 Stocks That Declined Sharply

	High Price 1956	Price Range 1957-1958	Recent Price	1957 Div. Payment	1958 Indicated Div.	Indicated Div. Yield	Earnings Per Share 1957	Earnings Per Share 1st Quarter 1957	Earnings Per Share 1st Quarter 1958
Allied Chemical Corp.	129½	98¾-68½	76	$3.00	$3.00	3.9%	$4.37	$1.01	$ .68
American Smelt. & Refining	59⅛	63¾-35⅛	45	3.00	2.00	4.4	3.94	1.35	.57
Atchison, Top. & Santa Fe	34⅝	27 -16¾	22	1.75	1.40	6.3	2.30	.47	.24
Beckman Instruments	43½	47¾-18⅛	19	1	......	....	.16[3]	.55[4]	d .06[4]
Boeing Airplane	65⅛	61⅛-29	40	1.00[2]	1.00	2.5	5.49	1.21	1.35
Bucyrus Erie	56¼	52¾-24	26	2.00	1.00	3.8	2.77	.92	d .35
Caterpillar Tractor	95⅜	99½-55⅛	63	2.40	2.40	3.8	4.32	1.60	.35
Chrysler	87	82¼-44	45	4.00	1.50	3.3	13.75	5.34	d 1.74
Cons. Electrodynamics	37	54¾-25⅛	30	.40	.40	1.3	.73	.34	d .05
General Motors	49¼	47½-33⅛	39	2.00	2.00	5.1	2.98	.93	.65
Hooker Chemical Corp.	52¼	39⅝-22½	30	1.00	1.00	3.3	1.34	.35	.27
Jones & Laughlin Steel	62½	64⅛-35	40	2.50[2]	2.50	6.2	5.65	1.89	.17
Joy Mfg.	72	76¾-35⅛	38	3.00	3.00	7.8	6.34	3.40[5]	1.78[5]
Pennsalt Chemicals	66½	70¾-48½	52	1.85	1.85	3.5	2.40	.81	.58
Rayonier	44⅞	34⅜-14	17	1.40	.40	2.3	1.13	.36	.09
Reynolds Metals	85	65¼-32¼	40	.65	.65	1.6	3.28	.94	.86
Royal McBee	36⅛	40⅜-16	17	1.40	.60	3.5	2.68[6]	2.53[7]	.22[7]
St. Regis Paper	60⅛	48¼-23½	33	1.55	1.40	4.2	2.53	.63	.42
Thompson Products	80	89¾-41⅜	46	1.40	1.40	3.0	4.20	.20	.24
United Shoe	61⅝	45⅞-30¼	44	3.00	3.00	6.8	4.08[8]	na	na

na—Not available.
d—Deficit.
*—Based on 1957 net earnings per share.
1—Paid 3% stock.
2—Plus stock.
3—Year ended June 30, 1957.
4—6 months ended Dec. 31, 1957.
5—6 months ended March 31.
6—Year ended July 31, 1957.
7—9 months ended April 30.
8—Year ended Feb. 28, 1958.

programs. It is possible that a period of enthusiasm for the aircraft stocks could provide the trigger for a market rally in Boeing.

Bucyrus-Erie Co. is best known for its extensive line of excavating machinery, comprising about 80% of sales. The company's early build up of inventory and the nation's late start in highway building, coupled with a declining rate of housing starts, combined to reduce 1957 earnings and earnings reported during early 1958. To this extent, the 1958 earnings may not exceed \$2.00 per share compared with \$2.77 last year, and this prospect dictated a reduction in the dividend to \$1.00. Industry capacity for building roadbuilding machinery has increased so that few shortages are foreseen during the next several years; however, a moderate increase in orders should help this company's sales and earnings, although perhaps not enough to justify the former high of 56¼ (vs. 26 at current market). A gradual rather than abrupt upturn is foreseen.

Caterpillar is largest in the earth-moving field and suffered along with others from the rapid build-up in inventories and the downslide in orders. As a result, the 3.7 million Caterpillar common shares were driven from the high of 99½ to current levels, a reduction of more than 35%. First quarter results (35¢ vs. \$1.60) portend a full-year rate of around \$2 per share and the rather liberal price/earnings ratio of 32 times. Foreign sales are improving, the company's domestic position is strong, and a pick-up in orders for road-building and other construction should be beneficial. At the current price, however, the stock seems to be anticipating the earnings of a year or more from now.

Chrysler has suffered from widespread competitive ills during the past year, indicating that the year 1958 may produce a deficit in operations, compared with a profit of \$13.75 per share in 1957. (The wide swings are in part a result of the relatively small stock capitalization.) Although dependent on automobiles, Chrysler has won a place in the missile industry and is engaged in the Jupiter contract. It is doubtful whether automobile sales will pick up very much during the balance of the year, owing to a poor outlook for consumer spending in this direction, so that prospects are not bright.

General Motors Corp. has experienced a moderate decline in sales of automobiles and household equipment, and this year's operations may result in earnings about 30% lower than the \$3 per share reported in 1957, indicating the high price/earnings ratio of 17 times. Dividend coverage will therefore be narrowed, although no reduction is anticipated. The industry is recuperating from the breathless race for individual car supremacy, as well as from the resulting rise in labor and materials costs. Consumer buying appears to have been overestimated, and the drastic cutbacks reflect this dilemma. It is doubtful whether sales and earnings will stage much of a revival during the next year for any of the Big Three, and this would place the former high market prices for these stocks even further away.

Consolidated Electrodynamics Corporation reported earnings of \$0.73 in 1957, partially with the aid of income from dividends and capital gains from Burroughs stock. Similar to other makers of advanced electronics instruments, Consolidated's net income has been appropriately reduced by the needfulness of large research expenditures, which, of course, lead to future growth. Owing to the fact that many products have become standardized, it may be possible to reduce research expenses this year. New orders have improved, and the year's results could show a genuine improvement over 1957. Although the stock sells high with respect to current reported earnings, these shares represent a broad participation in advanced electronics. Because of the dynamic improvements which may be foreseen, the recent high price of 54¾ might be reached and even exceeded within a few years.

Hooker has felt the pangs of overproduction of heavy chemicals and rising costs along with others in its general field of chlorine, caustic, soda ash and other bulk products. As a consequence, income has been severely reduced, and there is little in the immediate future to suggest that conditions of demand will improve. First quarter earnings for Hooker were down, and the balance of the year may not show much increase in earnings. If earnings are very much below the \$1.34 per share of 1957, doubts will be in order for the safety of the \$1.00 dividend.

Jones & Laughlin Steel has improved its scope and efficiency of operations during the past few years, and, as the fourth largest steel producer, is now able to manufacture stainless steel through its acquisition, Rotary Steel. The long term outlook for the company is rather favorable, and this is substantiated with large reserves of ore, coal and access to good markets. Near term trends are lower, however, and it appears that 1958 earnings will be drastically down from last year's \$5.65 per share, perhaps to the extent that earnings could descend to \$1.00 per share. It would thus appear that the former high price of 64⅛ for the stock is not at hand. Labor cost increases and lower volume in prospect suggest it will be a year or more before earnings show a really material recovery.

Joy Manufacturing Company experienced a severe drop in earnings in the 6 months to March 31 (\$1.78 vs. \$3.40 per share), and full year earnings may not exceed one half of last year's \$6.34 per share. The company holds a strategic position in the mining industry by virtue of its excellent labor-saving mining devices. However, industrial capital expenditures are at a low ebb, so that orders may not grow satisfactorily for several months to come. The poor earnings appear to have been partially discounted by a 50% drop in the stock price from the high mark.

Pennsalt Chem., formerly Pennsylvania Salt, has energetically pursued a five year program to reconstruct its former outmoded line of products and plants into a modern and upgraded chemical manufacturing operation. It is perhaps still too early to judge overall results, but the record thus far this year has revealed less of a drastic reduction than has been prevalent through the chemical industry. The company's participation in fluoride chemicals is in part responsible for this improved status. Earnings on the small issue of common stock should slightly exceed \$2.00 per share, providing sufficient coverage for the \$1.85 dividend. Earnings should improve when business conditions pick up, and Pennsalt common stock seems likely to overtake its high market price before other producers in the industry.

Rayonier Inc. reflects a multitude of troubles, including the nationwide *(Please turn to page 389)*

What is Best for du Pont Stockholders under distribution plans of G. M. shares

— an Analysis of the du Pont-Government plans

By Harold B. Samuels

A year ago, when the Supreme Court held that du Pont's 23 per cent investment in General Motors constituted a monopoly, the spectre of an ugly era of corporate dissolution was threatened. Fortunately, both the Department of Justice and the Federal Trade Commission, the two federal agencies vested with anti-trust powers, have not attempted to exploit the decision with widespread attacks on other vertical mergers and investments, nor have they tried to apply again the "newly discovered teeth of Section 7" of the Clayton anti-trust act.

It is possible that the federal agencies have been reluctant to place additional stumbling blocks in the way of economic recovery in the recession year of 1958, or the agencies may be truly satisfied with their victory over the massive du Pont organization. Whatever the motives, corporate attorneys and executives have been breathing easier with each passing month, and have in fact, taken great heart from the FTC's recent ruling in the Brillo case that mere control of a large segment of a market does not necessarily constitute an illegal monopoly.

In just the last few weeks, however, the du Pont answer, and counter-proposal to the government's plan for separating the du Pont-General Motors interests has raised some questions with implications that reach far beyond the earlier threats of widespread corporate dissolution. For the government plan, if allowed by the courts, would:

1.) Destroy values ranging into hundreds of millions of dollars for thousands of innocent du Pont and General Motors stockholders.

2.) Confiscate, through taxation, other scores of millions of dollars.

3.) Disenfranchise the stockholders of Christiana Securities and Delaware Realty Corp. even though both holding companies were found to be *specifically innocent* of any anti-trust violations or other illegalities.

4.) Flood securities markets with millions of shares of General Motors stock each year for ten years.

5.) Virtually destroy the ability of both General Motors and du Pont to raise public funds for at least ten years, and possibly longer.

Aside from the moral question of meting out harsh punishment to scores of innocent persons, the economic impact of the government's proposal can be staggering. Who can visualize the disruptions of a General Motors and a du Pont unable to raise funds

to finance both growth and current operations, to say nothing of the deleterious affect on all corporate financing when $75-$100,000,000 worth of General Motors stock must be absorbed in public markets each year for ten years.

The Background

The government's attempted action is all the more surprising in view of the Court's specific instructions to both parties in the suit. In September 1957, Judge LaBuy of the U.S. District Court in Chicago urged that: "In formulating your respective plans, I would urge you to be mindful of this Court's duty to frame a decree that will protect the public interest in a manner *least disturbing to the economy, and least harmful to the litigants and to the stockholders of the corporations involved.*"

Despite this admonishment, the government plan for "equitable relief" will in effect very seriously punish the du Pont family and the executives of the giant chemical company, with but scant regard for the effect this punishment might have on the hundreds of thousands of du Pont and General Motors shareholders.

Under the government's plan approximately 60 per cent of the General Motors shares owned by du Pont would be distributed to du Pont shareholders over a ten year period, while the remaining 40 per cent, representing the interests of Christiana Securities, Delaware Realty Corp. and certain of their stockholders, would be sold and the proceeds distributed to these parties. It is suggested that other du Pont shareholders receive prior rights to purchase this stock.

During the divestiture period, voting rights to the General Motors shares would rest with du Pont stock holders, except that Christiana and Delaware would have no voting powers whatsoever.

Consequences of the Plan

In the government's view, their plan would benefit du Pont's shareholders in several ways. It would give them a voice in GM affairs for the first time, and would provide them with an annual dividend in the form of General Motors stock equal to about 3 per cent a year for each of the ten years.

The figuring runs this way: du Pont owns 63 million shares of GM stock, meaning that there are approximately 1.38 shares of GM for each share of du Pont outstanding. At current market values this comes to between $50 and $55 worth of GM for each du Pont share. Distributed in equal amount over ten years, the $5-plus yearly "dividend" would come to about 3 per cent at du Pont's current price of $170.

Certainly, on the face of it, the plan appears attractive for du Pont shareholders, and if viewed with the simplicity the government pretends to, there should be no complaints. Unfortunately, however, the plan cannot be viewed that simply since the government either glosses over, or fails to consider at all, some of the most basic investment facts of life.

To begin with, the Internal Revenue Service has already ruled that the distribution would be taxable as ordinary income for individuals. Thus du Pont stockholders, who now own their proportionate share of GM through their existing holdings, will be forced to pay income taxes ranging from 20 to 91 per cent on the shares they receive.

It is inconceivable that du Pont stockholders will stand idly by and allow their capital to be so seriously depleted. In actual dollars, assuming a $35 price for GM, du Pont holders would have between $6 and $30 worth of GM taxed away. It is estimated that the total tax bite will approximate $580 million for individuals and another $100 million for corporate owners of du Pont stock.

Under the circumstances two things must happen. First, many du Pont holders will choose to sell their stock in advance of any distribution, preferring to incur the smaller 25 per cent capital gains liability instead of losing much of the value of their investment through a confiscatory tax. *Equally important, however, is the fact that many shareholders who retain their stock will be forced to sell part of the distribution in order to meet the tax liability.*

The effect of these forced sales on the price of du Pont is, of course impossible to predict, but the consensus of financial expert opinion centers on approximately a 15 per cent drop in market value.

Effect on GM

It may be argued (although weakly) that since du Pont was found guilty of monopolistic practices, its shareholders must bear this terrible burden with fortitude. No such rationale can be proposed, however, for GM shareholders, who stand to suffer even more than their du Pont colleagues. Although innocent bystanders who ostensibly own shares in a freely traded security, they stand to lose upwards of $5 billion in the market value of their shares for reasons that have absolutely nothing to do with the operations of General Motors. How can such a striking penalty be imposed? The answer is simple and is inherent in the government's plan.

The court-appointed Trustee will receive over 63 million shares of GM from du Pont and Christiana Securities for distribution. Over 42 million shares will be dealt out, on a pro rata basis, to other du Pont shareholders, while the 21 million shares representing the interests of Christiana Securities, Delaware Realty and the du Pont family will be sold in equal annual lots. *Thus the market will be called upon to absorb the equivalent of a new $75 million GM stock offering each year for ten years (assuming GM's current market price).* In the words of du Pont's President Crawford H. Greenewalt, "each annual offering would be a financial effort almost without precedent in the history of the industrial common stock market."

In addition, however, many du Pont holders who will be receiving their share of the 4,200,000 shares the Trustees will distribute each year, will be forced to sell part of their dividend to meet the tax liability. It is not unreasonable to assume that another one million—or more—shares might hit the market in this way each year. In sum then, somewhere between 3 million and 4 million shares of GM will have to be absorbed in each of the ten years. For perspective, it should be noted that in 1957 only 6,900,000 shares of GM traded on the New York Stock Exchange. Assuming this volume to represent normal demand and supply conditions for the stock, GM could possibly lose between 25% and 40% in value directly as a result of market dilution, despite the fact that there will be no actual dilution of the stock in the General Motors Corporation. This staggering loss

totes up to somewhere between $3.7 and $5.1 billion, or more than the entire value of du Pont's ownership in General Motors.

In addition, General Motors, the innocent bystander, will be effectively barred from raising any funds in the common stock market for at least ten years, since it will constantly be coming face to face with an enormous distribution of its own stock. Du Pont would encounter similar difficulties in the face of constant liquidation of its shareholders who choose to sell rather than suffer the tax consequences of the GM distribution.

Nor does the damage end here. Weakness in du Pont and General Motors is bound to affect the prices of other chemical and motor shares, since both of these companies as industry leaders, are frequently used as criteria of value. Moreover, $75-$100 million worth of GM in the market each year means serious interference with money-raising plans by other corporations who may have far greater need for the funds. The price of governmental prerogative, in this instance, comes high indeed.

Effect on Christiana and the du Ponts

As a further measure of the impact of the government's proposal, it should be pointed out that there are 185,000 separate stockholders in du Pont and over 700,000 in General Motors. Thus in a nation which has made the protection of the individual its most cherished tradition, almost one million citizens are to be severely damaged because of the Justice Department's apparent determination to punish some 200 individuals in the du Pont family, Christiana Securities and the Delaware Realty Corp.

But even if the damage could be confined to just Christiana and Delaware, the losses involved far outweigh the magnitude of the supposed crime. Between them the two firms own 30 per cent of du Pont, and their proportionate share of the General Motors holding, at current market value equals approximately $670 million. If the courts approve the government's proposal the two holding companies would lose over $110 million in tax liabilities and close to $200 million in the loss in value of the GM shares resulting from undue market pressure on the stock. Furthermore, the approximately $365 million that would remain could easily be offset by a decline in the market value of du Pont, since a 15 per cent drop would just about equal the net proceeds of the sale of GM stock.

Even assuming these figures to be extreme, the punishment being meted out is extremely harsh. Moreover, the two companies have 4,000 other stockholders who own these shares for investment purposes and have no connection either with the du Pont family or the chemical company. Since the Court cleared both Christiana and Delaware of any complicity in the anti-trust actions, each of these stockholders is being penalized for the presumed unlawful acts of a few of their co-shareholders. Such treatment appears to violate every American tradition of fair play and make a principle of guilt-by-association.

du Pont's Proposal

Aside from the obvious inequities, it is apparent that if the courts were to adopt the government's proposal, serious economic consequences would result, causing inestimable damage in addition to those already outlined above. For this reason, although du Pont's own plan is obviously designed in its own best interests, it appears to offer a good solution to the problem. The plan is a simple one. The two companies would be prohibited from having representatives on each other's Board of Directors, and du Pont would give up all the voting rights to its GM stock. Instead each du Pont, Christiana Securities and Delaware Realty shareholder will vote his pro-rata portion of General Motors. In effect, du Pont would retain its holdings purely as an investment and be permanently enjoined from having any voice in GM's affairs. In this way, both the letter and the spirit of the Clayton Anti-trust Act will have been met.

The government will obviously object that the 200 persons who control Christiana and Delaware will receive the largest share of the vote, but if need be, a compromise action could disenfranchise these few individuals.

In appraising the potential economic impact of both proposals it is well to bear in mind certain vital historical data, relating to the entire case. The Supreme Court ruling broke with all previous precedent in holding that a violation existed merely because du Pont *might* have intended to exert a monoplistic influence over General Motors. It was conceded that there was no evidence of such control at the time the suit was pressed, but that there *may have been* 35 years earlier when du Pont first acquired its holdings.

The ruling interpreted Section 7 of the Clayton Act in a manner unprecedented in the Act's 40 year history. Without attempting to pass judgment on the legalities, it certainly seems that the circumstances are unique enough to give rise to a compromise.

The truly catastrophic dimensions of the financial consequences involved in the government's plan are causing growing concern in all quarters.

General Motors itself has officially filed its objections as one of the injured bystanders, and its opposition is based on the fact that the Government's plan would for all practical purposes make it impossible for the company, and for other motor companies, to do equity financing over the next decade.

The situation has finally reached Congress, which may have to find the answer. Senator Frear (D., Del.) has introduced a bill to solve the conflict between the tax laws and the antitrust laws. The Frear bill would exempt from federal income taxes, stock received in distribution under a court or antitrust order and make the stockholder liable only for capital gains taxes if he sold the stock.

Both GM and du Pont exert an enormous impact on the economic affairs of the nation. Moreover, each has contributed more than its share to our economic progress. du Pont alone, through its massive research programs, has pioneered some of the most striking achievements of our age, and in general has conducted its affairs in a manner to bring credit to American corporate institutions. General Motors is the largest single employer of labor in the country and is an acknowledged leader in several fields outside of the automobile industry.

To hobble these two giants at a time when the nation needs all of its prime resources to combat the twin evils of communism and the recession, is truly a matter of cutting off our nose to spite our face. —END

Inside Washington

By "VERITAS"

BUSINESS MERGER propositions have been approved, amended, or rejected for about half a century without a clear-cut guide to tell government investigators when a monopolistic amalgamation is taking place and when unity of competitors is wholly within the permissives of the laws against monopoly. In a recent case (Brillo Manufacturing Co.), the Federal Trade Commission has taken steps to hurry a court test out of which a yardstick must come. The facts of the instant case are not too important, but the principle involved is: discarded is the long respected theory that a merger that gives the new combination more than 50 per cent of the business necessarily is monopolistic and a lesser control never has that vice.

WASHINGTON SEES:

The Senate Finance Committee has been told by a cross-section of top business and industrial executives that there is nothing in the economic picture that cannot be corrected by a series of related steps centering about a determination to stop the wage-price inflationary spiral. The Committee staff is preparing working papers which will set in bold relief the fact that monopoly power of unions to widen continually the spread between wages and productivity, is the basis of the evil.

Several months ago the committee distributed carefully tooled questionnaires among a selected group of executives whose business operations demand, and receive, sound management thinking. Answers came this month.

The notion that a creeping inflation, for better or for worse, is unavoidable was flatly rejected all around. But almost without exception men like GE's Ralph Cordiner, GM's Harlow Curtice, and ESSO's Eugene Holman placed blame for economic unrest squarely on the doorstep of labor unions whose pay demands have outstripped productivity in an ever-increasing pressure which boosts prices of commodities year after year with no end in sight.

Existence of this monopoly power on the part of the unions and its unwise exercise came as no revelation. President Eisenhower and others have spoken of it, have done nothing about it. Will the Senators too, pass up their opportunity?

DECISIONS of convenience have come out of the straight mathematical formulae which seems to have been acceptable up to now. Logically, it would appear that a distributor having one-half the business tends to monopoly; conversely, that one whose percentage of the whole is less than one-half cannot exert control. Principles of bookkeeping have dominated. Now it's suggested that the impact of a majority supplier of a given market, and the effect of a minority distributor, should be evaluated on the basis of much broader considerations: it is the "share-of-the-market" factor, enlarged by the general competitive situation, number of competitors and degree of concentration found in the industry. Talked of before, now it will be applied.

"BIGNESS" of the enterprise no longer would send a company to the trial table of FTC with two strikes against it if the decision, and dictum, of the Brillo case holds up in the litigation that is bound to follow. The original meaning and purpose of "trust" in the business sense was to accomplish the benefits of bigness for the common good—productively and operationally. The term became corrupted into something nigh onto sinful. Federal Trade Commission lawyers do not regard size as a major factor in developing monopolistic trend. They remind the little fellow, with the power to place, or remove, his thumb from the dike, that his position exceeds a minority status when he alone, or with like associates, flex their business muscles.

MANNED AIRCRAFT will continue to represent a substantial portion of the total hardware procurement program of the three services in spite of pervading talk of drastic changeover to guided missiles. Plane companies will not be subjected to abrupt stoppage and time-marking pending the switch: in the current year the services will buy 915 manned planes while 1959 fiscal year orders run to 975—88 bombers, 546 fighters, 107 transports, 185 trainers, 49 miscellaneous. END

As We Go To Press

Until a faster method of analyzing business statistics comes along, the Federal research agencies must trail the facts of economic national life by weeks, if not months. Normally this is not a serious problem: historically, the official data have been used only to demarcate trends; now, in the light of business changes that need immediate watching, the mistake sometimes is made of relating the latest available figure to the current business hour. And accepting the result. And an additional drawback to total usefulness is the fact that the item most avidly read by the general public, "cost of living", moves sluggishly behind other gauges of the economy. Retail prices feel changes at the very end of the line. Then people ask: "Why in the light of business downturn and unemployment does the price index go up?"

Too many years have elapsed since suggestions has been heard that the science of business statistics be overhauled. Of course the subject is mentioned regularly at hundreds of solemn conclaves at which statisticians convince colleagues something should be done. With the narrow operating sphere of each, procedural and other minor operating changes can be made. But the systems seldom undergo basic alteration. Now and then Congress adds another item for the Bureau of Census to survey, sets up a system which brings out the data either two years after it has been gathered (business) or 10 years thereafter (population). And an influential Congressman has been known to obtain diversion of professional minds to a purely regional interest -- redwood shingle production and sales, for instance.

The consumer index is based on prices of about 300 selected commodities and services, chosen from a list of about 2000 commonly purchased or used by residents of a limited number of representative cities. Foods constitute about 30 per cent, and they're the fastest movers. Weather, marketing methods and many other factors can be disruptive. Against this the durable goods group including new and used furniture, household appliances, TV and radio combined make up about 14 per cent of the whole index. It can readily be seen that, standing alone, these indices can do no more than furnish a guide to limited trends as of a period at least one month back, in business lines which are undergoing a constant flux. An important guide, but one to be read in the light of many other facts and records.

The June figures showing a slack in shipments of durable goods by manufacturers reflects business done in April -- now about two months old, but currently in use as the most recent available. Yet, sales were 8 per cent higher than the rate of replacement orders and inventories were declining. Examining the components of this statistic it is thought that the Department of Commerce has "weighted" the figures somewhat: the March total was upped about $1 billion because the figure for that month was not considered fully to reflect an onrush of Government orders. This common practice adds an element to analysis of the statistics and requires the reader to be informed when there was weighting, where, to what extent, and why.

Not all the official figures on unemployment truly report the number of employable persons seeking jobs. Where they approximate that ideal report on the labor market the data are too old to do much more than suggest trends. Most of the more current figures are based on Social Security Administration data: how many additional persons applied for jobless compensation, and change in the net total at the end of the reporting period. Until bookkeeping in millions of accounts has been completed and audited it is never known how many went off because the period of coverage had expired for them. That is later approximated. And millions of jobs don't come under SSA, don't figure in the reporting in any way.

An occasional happening within the NLRB or in a Federal court room serves to illustrate that there's more protection

within the Taft-Hartley Act than has been utilized by aggrieved parties. Exploration of the full depths of relief becomes even more important in the light of the do-nothing legislative approach. The fact is developing that time and effort devoted to bringing about changes in the organic act might have been better expended at the trial tables in the Courts and the Board hearing rooms. More than 10 years after the statute went on the books, new uses are being discovered -- within existing language.

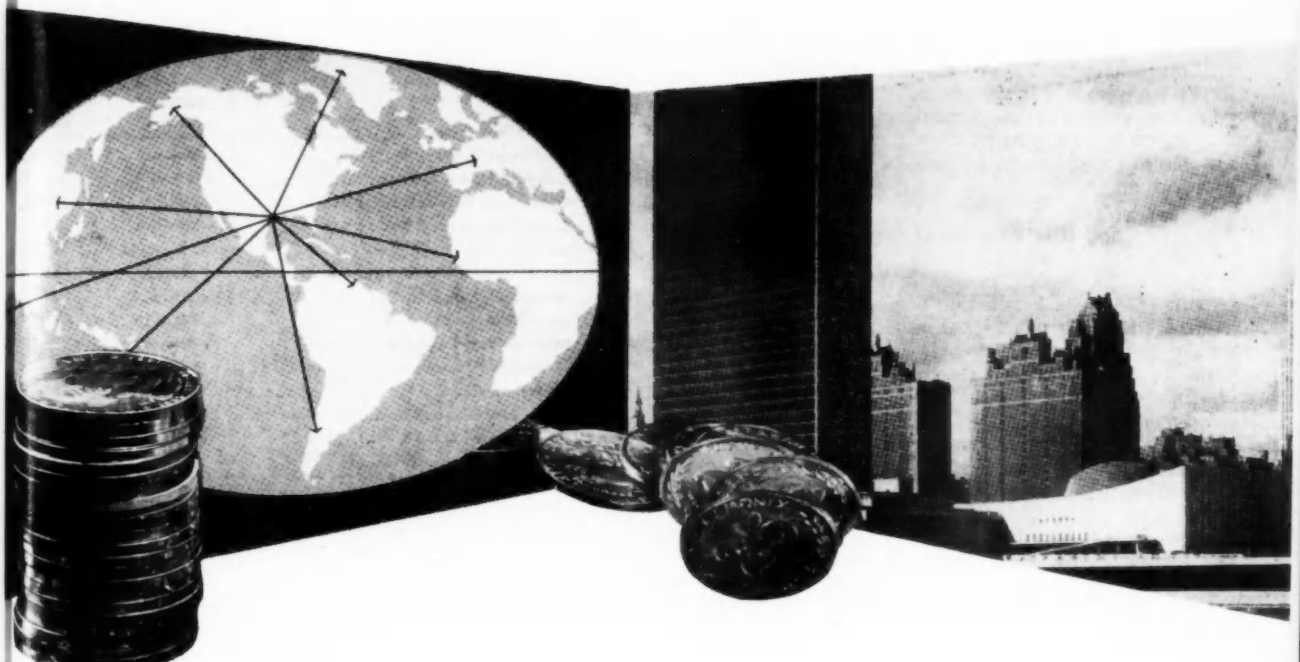
▶ For much of the first half of the Act's decade-long existence to date, it was generally presumed that the Norris-LaGuardia Act was fully effective as a bar against injunctions in labor disputes. Now its compass is considered to be restricted, but not destroyed by the older statute. How important the remnant is in interjecting a block against union over-reaching is best described by a labor leader, who told a Senate Committee last month, with feeling:

▶ "As always the injunction effectively terminates the dispute in the employer's favor. Any talk that these are 'temporary' injunctions is demonstrably untrue; one against us remained in effect for nearly two years. The necessity of living with the injunction required us to alter our policies to the clear detriment of our members. Government action on behalf of employers is, if anything, worse than direct employer action; it brings to the support of the employer the massive prestige of the Government, saves him considerable costs of litigation and allows him piously to hide behind the screen of 'public interest.' The ultimate decision by the NLRB has only an academic interest -- the injunction will long since have settled the dispute in the employer's favor. The Supreme Court has determined that a union pay a fine of the fantastic sum of $700,000 because its officers were found in contempt of court."

▶ Few injunction cases involving labor unions get beyond the District Court level. If the case is decided by NLRB during the term of the stop order the injunction automatically terminates, the case becomes "moot" and the union would find itself investing heavily in a useless appeal. In a combination of two NLRB cases arising in Massachusetts this Spring, one of the points at dispute was the union's insistence on the right to choose foremen. Its persistence amounted to refusal to bargain in good faith, NLRB contended in a petition for temporary injunction. The order was issued, the union discarded a policy which it has considered of such elemental necessity to its operations that it was written into one of the unchangeable "laws" of the organization many years ago. But now it's off the books via a step that could have been effectively taken a decade ago.

▶ The Supreme Court of the United States recently wrote two decisions that will go far to protect individuals against abuse of union power. One case involved a workman who had been expelled from membership in the International Association of Machinists. Through the union hall device of vetoing job applicants, the local was successful in keeping him off employment. He sued in a state court, charging an interference with his right of freedom of contract to work, and he asked for actual and punitive damages. Judgment was entered for him, whereupon the union went to the Supreme Court. In the second case, United Auto Worker pickets restrained a non-union man from entering a struck plant. Similar suit and similar results in the state court (Alabama) ensued. Again there was appeal to the U.S. Supreme Court.

▶ Interesting in connection with these cases, each decided in favor of the aggrieved workman and against the union, is the fact that Chief Justice Earl Warren broke with his colleagues. He expressed concern over the effect such rulings might have on union treasuries. By reason of ill-advised conduct on the picket line and "vicarious liability," he rationalized his finding, "the union is to be subjected to a series of judgments that may and probably will reduce it to bankruptcy, or at the very least deprive it of the means necessary to perform its role as bargaining agent of the employees it represented." Associate Justices overrode their Chief's greater concern for the welfare of the union fund over the right of the individual to earn a living. Also, they emphasized, the purpose of a picket line is to advertise the strike and its objectives, not to compel others to support the strike. In that last sentence may be detected the seed of judicial volumes effective in a major area of apparent Congressional unconcern.



How valid is the new interest in GOLD SHARES

By Frank Kiser

For years gold stocks have been one of the most uninteresting and neglected groups in the market. And for good reason. They were also one of the least rewarding groups. Now, however, the end may be nearing for the persistent postwar phenomenon of inflation, bringing about a change for the better in the gold outlook. Because the price of gold is relatively inflexible, gold mining is often more profitable during depressed periods than in times of general economic expansion. In prosperous periods most prices tend to rise. This pushes up the cost of mining gold and reduces profits. Conversely, prices in general are inclined to fall somewhat during recessions, as a result of which gold mining expenses decline and profits rise.

To get perspective on the present situation, it may be helpful to look back at the conditions which, over a long period of time, slowly but surely reduced the profit potential of mining gold. After World War II ended, the pent-up demand for goods of all kinds and the necessity of reconstruction in many countries caused a much fuller than normal use of labor and productive facilities. As bidding mounted for these instruments of production—labor and capital equipment—prices started rising, eventually culminating in the inflation which has become so familiar.

As a result, gold mines found it progressively more difficult to make profits. Despite increases in efficiency wherever possible, an intensified search for higher-grade gold ore and a trend toward diversification, a large number of mines have been forced to close down. Though the United States is still the third largest gold-producing nation in the Free World, the American gold mining industry, as such, has practically ceased to exist. Many mines recover by-product gold as an incidental part of their operations, but Homestake Mining is the only large mine in this country importantly engaged in gold production. Even Homestake now has extensive interests in uranium.

In other countries postwar conditions have been somewhat less severe on gold mining. Some governments started subsidizing their gold producers as rising costs climbed closer to the official U.S. price of $35 per ounce. Mines in several countries have been permitted to sell on the free market where, due to the unsettlement which still existed after the war, a higher price prevailed. The advantage of free market sales ended abruptly in the early '50s, though, when Russian suddenly sold a large amount of gold in international markets. As a result, the official price became a "floor" for the free price, which plummeted to about $35 per ounce. Free market quotations have since remained very close to that figure, kept from falling by the knowledge that Washington will buy gold at $35 per ounce, and from

rising because of concern over possible further heavy sales by Russia.

In the Union of South Africa, which produces more gold than any other nation (an estimated 17.2 million ounces in 1957), gold mines have been relatively fortunate during the postwar period, for their gold ore also contains uranium. While the uranium is generally low grade, South African gold mines are earning substantial profits recovering it as a by-product.

The Position of Canada

In Canada, second to South Africa in Free World output (some 4.4 million ounces last year), gold mining has long been established on a sound footing and, despite sharper growth in production of oil and some of the other metals, still ranks as one of the leading extractive industries in point of revenues produced.

Because of the importance of gold to the country's economy, Canada in 1948 enacted the Emergency Gold Mining Assistance Act to help the mines withstand the onslaughts of inflation. This legislation subsidizes all but the very low-cost producers. By the terms of the Act, a mine is eligible for the subsidy when its costs exceed $26.50 per ounce of gold produced. However, the Government assistance is paid on only two-thirds of production and is limited to two-thirds of the amount by which costs exceed $26.50 per ounce, which means that the subsidy covers only about 45 per cent of the costs above $26.50. Maximum assistance is $12.33 per ounce. While the Act has enabled many Canadian mines to remain in operation during the past decade, the encroachment of inflation, reflected in steadily rising costs, has forced many others to shut down.

With postwar inflation at its peak last year, the Canadian dollar spurted to an all-time high in relation to the American dollar, making conditions for the Dominion's gold miners even more unfavorable than for those in other countries. The price the Canadian mint pays for gold is pegged at 35 U.S. dollars per ounce, so with the Canadian dollar trading at a six-cent premium over its American counterpart at the record level last August, producers were receiving only 94 Canadian cents on the dollar for their output, or $33.15 per ounce in Canadian money. Meanwhile, expenses had to be paid at 100 Canadian cents on the dollar.

Prime causes for the rise in the dollar premium were a heavy flow of investment funds into Canada and large-scale Canadian borrowing in the United States. To spend the borrowed American dollars in Canada, they had to be converted into Canadian dollars, further increasing the demand for Canadian funds. After making its high, the premium on the Canadian dollar dropped quickly. Foreign investors, watching Canadian stock prices decline sharply, stopped rushing new investment money into the country; with business in a less expansive mood, Canadian borrowings in the U.S. also fell.

The premium on the Canadian dollar, after hitting a low just under one cent around the year-end, has now climbed back to about four cents as Canada has substantially reduced its American imports. The conditions which made for the premium's rapid ascent last year do not seem likely to recur, however, the outlook being for gold mines to receive a higher average price per ounce in the current year.

Essent

	Where Listed	Total Revenue 1957 (000)
Bralorne Mines	Toronto	$ 2,931
Campbell Red Lake	N. Y. S. E.	4,856
Cochenour Willans Gold Mines	Toronto	(NA)
Consol. Discovery Yellow Knife	Toronto	2,736
Dome Mines	N. Y. S. E.	5,733
Giant Yellow Knife Gold Mines	Amer.	6,563
Homestake Mining Co.	N. Y. S. E.	20,250
Kerr-Addison Gold Mines	Toronto	17,474
Madsen Red Lake Gold Mines	Toronto	3,454
McIntyre Porcupine Mines	N. Y. S. E.	8,795
Natomas Co.	N. Y. S. E.	1,210
New Dickenson Mines	Toronto	2,947
South Amer. Gold & Plat.	N. Y. S. E.	10,375
Wright-Hargreaves Mines	Amer.	3,757

(NA)—Not available.
1—Year ended June, 1957.
2—Sales of all metals for 1956.
3—16 month period ended 12/31/57.
4—9 months ended Mar. 31, 1957 & 1958.

At very nearly the same time that the Canadian dollar premium started slipping, the general inflationary tide began to recede. This can be considered the most encouraging development affecting gold mining for many years and, from the investment point of view, possibly the most favorable turn of events since the price of gold was raised in 1934. This is not to imply that it portends a dramatic increase in earnings, as did the gold price increase a quarter century ago. However, it does seem to warrant a reversal of opinion concerning gold mining shares from one of indifference or skepticism to one of tempered optimism.

Approach In Buying Gold Stocks

In evaluating the merits of gold stocks, "selective optimism" might be the best approach to the new uninflationary environment which appears to be forming. If the general price level remains about where it is for the next few years, there will not be any direct reduction in costs, although there could be a rise in the efficiency of labor. Even if prices in general should drop a little, that still would not bring important cost benefits to gold producers. Under either of these conditions, though—stationary or slightly falling prices—companies in a position to mine high-grade ore or expand their output would be able to make healthy gains in earnings, instead of having a large part of the gain canceled out by rising costs.

Should this type of environment continue to develop, gold producers will find operating conditions much more favorable. As defensive vehicles, gold mining shares have one unique quality in that the mines are assured of a market for their entire output, since governments stand ready to buy all the gold produced.

Recently there has been more than the usual amount of talk concerning an increase in the official U.S. gold price of $35 per ounce. Generally higher

Essential Statistics on Leading Gold Producers

Total Revenue 1957 (000)	Costs Per Ton (Milled)	Revenues Per Ton (Milled)	1957 Gold Prod. (000) (Oz.)	Earnings Per Share 1956	Earnings Per Share 1957	1st Quarter 1957	1st Quarter 1958	1957 Dividend	Recent Price	Div. Yield	Price Range 1957-1958
$ 2,931	$15.75	$20.76	89,1	$ .06	$ .04	(NA)	(NA)	$ .40[6]	$ 6.10	6.5%	$ 6.20- 3.75
4,856	8.34	18.94	144,5	.36	.38	$ .08	.10	.35[6]	8.25	4.2	9.37- 5.12
(NA)	16.26	26.99	60,6	.09	.13	(NA)	(NA)	.10[6]	2.65	3.7	3.15- .75
2,736	22.15	53.38	22,2	.26	.29	.07	.10	.22	3.10	7.0	3.50- 2.15
5,733	7.85	8.23	169,8	1.00	.93	.23	.21	.70[6]	15.75	4.4	17.12-11.00
6,563	13.67	20.56	190,4[1]	.21	.25[1]	.21[4]	.15[4]	.30	6.35	4.7	7.37- 3.87
20,250	6.45	11.74	554,9[2]	2.19	2.10	.44	.40	2.00	41.00	4.8	45.00-32.12
17,474	5.03	10.57	519,3	1.05	.97	.24	.25	.80	18.37	4.3	19.25-13.00
3,454	7.95	11.42	100,7	.22	.20	(NA)	(NA)	.20[6]	2.42	8.2	2.80- 1.35
8,795	9.02	9.63	220,1	3.28	3.24	.74	.79	3.00	84.50	3.5	122.50-67.00
1,210	.0789[8]	.0901[9]	34,5[2]	.24	.31	.04	.10	......	6.25	....	8.00- 4.50
2,947	10.09	17.83	87,5	.16	.24	.05	.04	.10	2.38	4.2	2.59- 1.22
10,375	(NA)	(NA)	163,3	1.33	1.75[5]	(NA)	(NA)	.30	8.62	3.4	10.12- 6.62
3,757	9.27	15.91	103,6[3]	.09[5]	.13[3]	(NA)	(NA)	.03[7]	1.50	....	1.75- 1.15

[5]—Estimated; includes $0.75 capital gain.
[6]—Indicated 1958 rate.
[7]—Directors 2/18/57 deferred div. action.
[8]—Costs per yard dredged.
[9]—Revenue per yard dredged.

prices for American and Canadian gold shares, as compared to their depressed levels of last summer, are to a substantial degree attributed to speculation on a higher gold price, with an important part of the buying reportedly coming from Europe. However, the rather gentle, yet sustained rise which has been in progress for several months does not seem to be the type of advance which is due solely to gold price speculation. It would appear that some investment money has also been coming into the golds, some of it doubtless as a hedge on general economic conditions, some of it to seek appreciation in mines which have better than average earnings or growth prospects.

Why Higher U. S. Gold Price Is Unlikely

As to a price increase in gold, it is extremely doubtful that the United States Government would raise its $35 price under present or foreseeable conditions. Indeed, it seems that only economic or political conditions bordering on chaos could force the Government to budge from its position of maintaining the price where it is. There are two very practical reasons for this: 1. Fear of bringing back inflation; 2. Heavy Russian gold production.

Raising the gold price would be inflationary because the effect would be the same as an outright devaluation of the dollar. If the dollar should be devalued, prices would rise generally to compensate for the lower purchasing power of money. It made sense to increase the price of gold in 1934 because we were then suffering from deflation which grew to serious proportions during the depression. However, having just stemmed an inflationary situation which was threatening to get out of hand, it is hardly conceivable that the Government would take a step which would unleash inflation again.

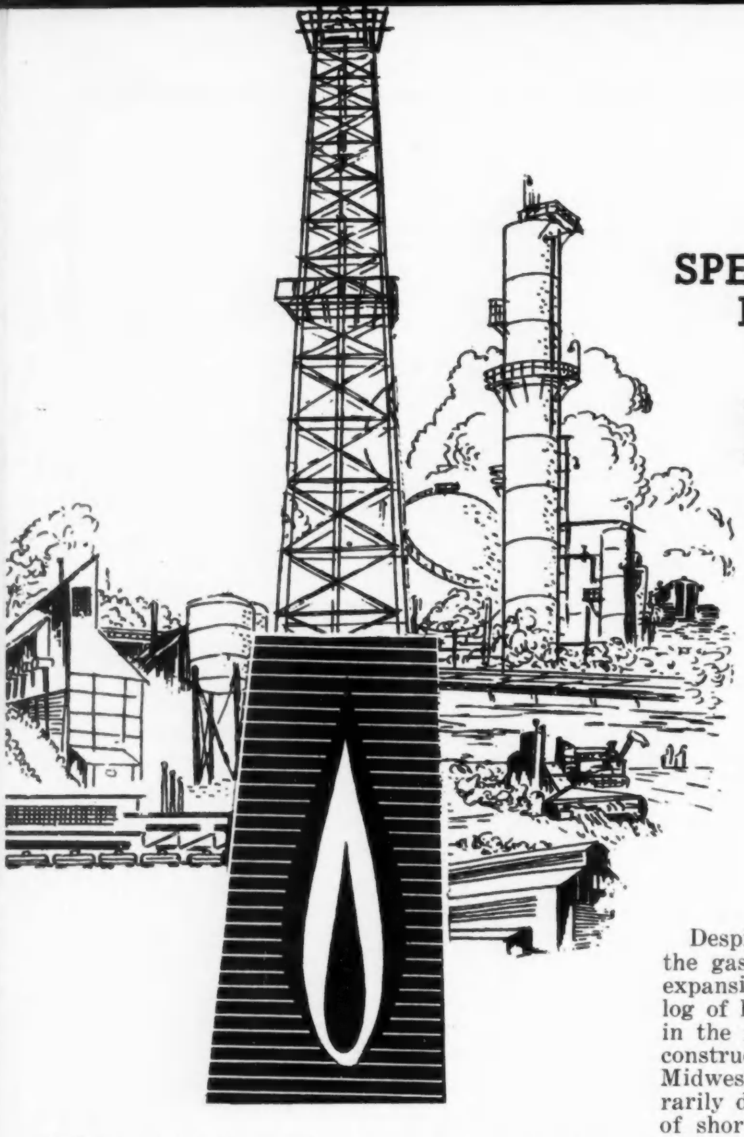
A new and powerful factor bearing on the gold price question is the sharp increase in Russian production of the precious metal since the end of World War II. In 1946 the Soviets turned out an estimated five million ounces; by 1957 their output had soared to an estimated 17 million ounces, very nearly as much as the world's leading gold-producing nation, South Africa. Though it is not known how much gold the Russians have on hand, the amount is certainly very sizable. If the United States should now raise the price it pays for gold and thereby increase the gold price throughout the world, we would be playing into the hands of our principal antagonists by making their gold more valuable. At the same time, a higher gold price might make it attractive to the Russians to dump gold as part of their economic war with the West, a war whose tempo is beginning to pick up.

The Factor of Russian Gold

The recent loss of gold by the U.S. Treasury has also caused some talk of a price rise. Since the beginning of the year, foreign government withdrawals of Treasury gold have depleted the hoard by nearly $1.2 billion. There is still $21.6 billion remaining. However, this outflow does not herald any "run" on gold, and is explained by the fact that United States exports dropped close to 20 per cent in the first quarter from year-ago levels and are still running behind the 1957 rate, while imports have remained almost as high as last year. As a result, foreign nations have built up larger credits in this country. The withdrawals of gold to date represent repatriation of those funds, not anticipation of a price increase for gold.

A Look at Individual Issues

Investors and speculators will find that most of the gold stocks they have to choose from are Canadian, but they will also find that the Canadian issues are tailored to fit a wide variety of investment and speculative tastes. (*Please turn to page* 385)



★

1958 SPECIAL REPORT ON THE DIVERSE TRENDS IN

Natural Gas Industry

▶ With an appraisal of the position of individual companies — by Area — Earnings-Dividend Outlook

By Owen Ely

IN the past 12 months or more the natural gas utility industry has witnessed a perplexing diversity of trends, making it increasingly difficult for the analyst to appraise dependable values in relation to stock prices. However, one large segment of the industry, the retail end, has been largely unaffected by the regulatory and financial problems which have beset the big interstate systems. Favored throughout much of the country by cold weather in the late winter and early spring, most retailers have reported good earnings increases, with stock prices benefitting accordingly.

The wholesalers and former "growth stocks" suffered heavy price declines last year (along with industrials, but for different reasons) and most have enjoyed only a partial comeback because of the continuing regulatory impasse. Gas stock averages compare with the electric group as follows (approximate figures):

	5/29/58	1958 Range	1957 Range
10 Gas Distribution Common Stks.	33	33-26	29-25
10 Gas Transmission Common Stks.	54	54-44	60-42
24 Electric Power Common Stocks	57	57-51	52-46

Despite regulatory problems and high money rates, the gas industry has continued its great postwar expansion program, thanks to the remaining backlog of househeating and industrial demand for gas in the mid-west and many other areas. While the construction of major pipelines such as the proposed Midwestern line of Tennessee Gas has been temporarily deferred, there has been heavy construction of shorter pipelines to extend markets, loops and compressor units to increase capacity, and in the residential field, conversion from oil and coal househeating to gas.

Thus expansion has continued at the rate of roughly $2 billion a year and with a plant investment of $20 billion or more the gas industry has now moved from sixth to fifth place in size (as measured by investment), among the nation's industries. Natural gas reserves have continued to increase sufficiently to sustain the "twenty years of future capacity" which is considered the normal basis for pipeline contracts to supply gas to retailers. The industry also plans to draw large amounts of gas from the big Canadian reserves, but political developments in that country have slowed this program—since some Canadians are fearful that they are giving away their resources too cheaply and that they are becoming dominated industry-wise by U. S. business.

Effects of Regulation and Recession

Current regulation of independent gas producers by the FPC, together with recession effects on the oil business, have reduced new drilling for oil and

Statistical Summary of Natural Gas Companies

	Earnings Per Share				Dividends Per Share		Recent	Div.	Price	Price
	Yearly		1st Quarter						Earnings	Range
	1956	1957	1957	1958	1956	1957	Price	Yield	Ratio*	1957-1958
Pipe Lines (Some Production)										
Mississippi River Fuel	$ 2.33	$2.00	$ .57	$ .40	$1.45	$1.60	31	5.1%	15.5	37⅞-26½
Southern Natural Gas	2.41	2.35	.62	.35	1.85	2.00	38	5.2	16.1	49¼-29½
Tennessee Gas Transmission	1.57	1.75	.30	.57	1.40	[4]1.40[5]	28	5.0	16.0	30⅝-20⅜
Texas Eastern Transmission	2.05	2.52	.68	.80	1.40	1.40	28	5.0	11.1	29¾-20⅝
Texas Gas Transmission	2.17	2.02	.58	.62	1.00[4]	1.00[4]	23	4.3	11.3	25¼-16¼
Transcontinental Gas P.L.	1.20	1.36	.37	.40	.92½	1.00[4]	22	4.5	16.1	24½-15¾
Integrated Companies										
American Natural Gas	$ 4.34	$3.91	$3.90[1]	$4.14[1]	$2.30	$2.60	62	4.2	15.8	62 -44
Arkansas-Lousiana Gas	1.56	1.85	......	......	1.05[4]	1.20	31	3.8	16.7	33 -20
Colorado Interstate Gas	1.91	2.26[2]	......	......	1.25	1.25	45	2.7	19.9	81¼-31½
Columbia Gas System	1.41	1.31	.76	.82	.92½	1.00	18	5.5	13.7	18⅞-14½
Consolidated Natural Gas	3.33	3.39	2.20	2.38	1.70	2.00[5]	48	4.1	14.1	49½-36⅝
El Paso Natural Gas	2.11	2.39	.48	.45	1.07	1.30	32	4.0	13.3	44⅜-24
Lone Star Gas	2.19	2.32	1.79	1.95	1.65	1.80	37	4.8	15.9	39⅛-29¾
National Fuel Gas	1.64	1.39	1.03	1.03	1.02½	1.10	20	5.5	14.3	20½-16⅜
Northern Natural Gas	1.78	1.87	.77	.71	1.20	1.40[5]	29	4.8	15.4	29¾-22½
Oklahoma Natural Gas	2.14	1.86	1.93[1]	2.09[1]	1.40	1.50	31	4.8	16.6	32¾-22⅝
Panhandle Eastern Pipe Line	2.75	2.74	.82	.77	1.50	1.80	47	3.9	17.1	56½-36
Peoples Gas Lt. & Coke	2.90	3.01	1.51	1.57	1.93	2.00	48	4.1	15.9	49⅝-35⅜
United Gas Corp.	2.28	2.51	.89	.90	1.50	1.50	31	4.8	12.3	38⅜-25⅛
Retail Distributors										
Alabama Gas Corp.	$ 2.40	$2.18	$2.01[3]	$2.69[3]	$1.47	$1.60	32	5.0	14.6	34⅞-23½
Brooklyn Union Gas	2.83	2.92	1.47	1.75	1.90	2.20	42	5.2	14.3	44 -31¾
Laclede Gas Go.	1.21	1.16	1.12[1]	1.37[1]	.74	.90[5]	18	5.0	15.3	18¾-12½
Northern Illinois Gas	1.44	1.36	1.34[1]	1.41[1]	.80	.88	21	4.1	15.4	22½-15¾
Pacific Lighting	2.84	2.42	2.54[1]	2.67[1]	2.00	2.00	45	4.4	18.5	46¼-33⅝
Washington Gas Light	3.04	2.77	3.13[1]	3.05[1]	2.00	2.00	42	4.7	15.1	42¾-30¾

*—Based on 1957 earnings per share.
[1]—12 months ended March 31.
[2]—Substantial amount of earnings involved in rate litigation.
[3]—6 months ended March 31.
[4]—Plus stock.
[5]—Indicated 1958 rate.

Mississippi River Fuel: Has diversified into petro-chemicals, etc., increasing proportion of non-regulated business. Revenues increased rapidly, but recent share earnings disappointing. Further expansion possibilities in southern Louisiana and off-shore. (H)

Southern Natural Gas: Company increasing oil production and heavy expansion proposed. Negotiating with customers over Memphis decision. Sells as "growth utility" account earlier record but 1956-8 showing disappointing. (H)

Tennessee Gas Transmission: Largest pipeline, fantastic growth past decade. Share earnings record excellent, but further aggressive expansion retarded by Memphis Decision and financing costs. (H)

Texas Eastern Trans.: "Little Big Inch" line finally converted to oil, which will aid earnings. Dividend payout low, somewhat offsetting poor equity ratio. Stock sells reasonably in relation to earnings, which however subject to dilution from convertible issues, plus rate uncertainties. (H)

Texas Gas Transmission: Gas wholesaler, buying most of its supply. Rapid growth expected to continue, but uptrend in share earnings of 1953-6 was checked in 1957. The company expected to expand oil and gas production. (H)

Transcontinental Gas P.L.: Serves New York and southern coastal areas. While revenue growth less than average, share earnings record outstanding, with steady gains since 1953. 10% stock dividend last year, 2-for-1 split in 1956. Current heavy expansion has encountered high financing costs. (H)

American Natural Gas: Large system serving Michigan-Wisconsin. Earnings record favorable except for minor set-back recently. Important rate cases pending. (H)

Arkansas Louisiana Gas: Company has enjoyed dynamic management in recent years, witfih policy of diversification and expansion. Share earnings up sharply in past three years, reversing earlier record. Company now considered growth utility, with resulting high P-E ratio. (H)

Colorado Interstate Gas: Very substantial gas reserves have future development potential, but company heavily affected by adverse decision of FPC Examiner, as well as Memphis uncertainties. Earnings of recent years include large amounts collected under bond. (H)

Columbia Gas System: Largest gas wholesaler and retailer, serving wide area. Not as much affected by Memphis case as most other large systems. Strong financial position, moderately good earnings record. (H)

Consolidated Natural Gas: Large integrated system with ultra-conservative policy and set up. Stock sells reasonably in relation to earnings, but dividend payout is rather low. (H)

El Paso Natural Gas: Expanded from small start to huge system in decade, diversifying into many new fields including metals. Share earnings irregular earlier, good in recent years; now subject rate uncertainties plus future pipe-line competition. (H)

Lone Star Gas: A relatively stable system with increasing stake in oil exploration and development. Good share earnings record since 1953. Conservative capitalization with one convertible issue. (H)

National Fuel Gas: Reasonable growth record, high equity ratio, but recent share earnings are about same as in 1954. Good yield but payout somewhat above average. (H)

Northern Natural Gas: Rapidly growing system with large expansion program potential if gas obtainable. Share earnings record mediocre in recent years, payout relatively high. (H)

Oklahoma Natural Gas: Enjoying current earnings recovery due to rate increase and favorable weather conditions. Seems reasonably priced in relation to current earnings. (H)

Panhandle Eastern Pipeline Important stake in oil, and valuable reserves. Earnings appraisal involves rate problems and collections under bond. Earlier uptrend in share earnings slowed since 1952. (H)

Peoples Gas Light & Coke: Old line, conservative system serving Chicago area. Soundly financed, share earnings record fair. Substanial expansion plans affected by competition with Memphis and Tennessee Gas. (H)

United Gas Corp.: Large stable system with conservative management and sound earnings record. Good equity ratio, moderate payout. Diversified operations. (H)

Alabama Gas: Distributor in growing Birmingham area. Share earnings record excellent, and (subject to weather irregularities) management seems optimistic it can maintain up-trend through 1961. (H)

Brooklyn Union Gas: Generally good share earnings record since 1948, wih steady increase since 1952, favored recently by cold weaher. Steadily building up heating load, and over longer term may benefit by expansion in Staten Island. (N)

Laclede Gas: Operating in St. Louis area, has had stable earnings record. Development of storage facilities may improve earnings potential by increase in heating load, etc. (H)

Northern Illinois Gas: Formerly division of Commonwealth Edison, with good growth record since independent in 1954. Substantial backlog of potential house-heating business when more gas available. Conservative, resourceful management. (H)

Pacific Lighting: Largest distributor, serves Southern California with rapid population growth. Full saturation house-heating business. Earnings should benefit by rate increases, but equity financing might be an offsetting factor. (H)

Washington Gas Light: Dividends since 1866. Has applied for rate increases equivalent to about $1.40, which if obtained might raise earning power to around $3.75-$4.00. Small industrial load aids stability. (H)

RATING: (H)—Hold; (N)—Neutral

gas in this country. Completion of wells in the first sixteen weeks of this year were the lowest for this period in five years or more, with a decline of 14% compared with last year. However, gas well completions are reported by the AGA to "look pretty good", since the proportion of gas to total wells is above last year (at least in Texas).

While the decline in drilling has not reached serious proportions, it lends force to the argument that present and threatened regulatory methods might in future divert risk capital from the development of new gas reserves needed to continue the industry's expansion program, and this might be a factor in obtaining better natural gas legislation in 1959. It seems unlikely that any serious effort will be made this year to pass the lame-duck Natural Gas bill.

In addition to the regulatory problems which are threatening to slow the expansion program of the pipelines, high money rates last year put a "squeeze" on profits from new capital investment. Under earlier conditions senior money was available in a range of about 3-4½%, but last year's sharp rise in money rates raised the cost of financing one or two percent. Thus leverage earnings on new common stock were greatly reduced, since the average rate of return remained around 6 to 6½%. Before the regulatory machinery almost ground to a halt, some rate decisions were beginning to appear allowing more than 6% for gas companies, but with the present confused situation common stockholders have been left "holding the bag", with an uncertain return on their new investment. Moreover, such new contracts as are being made (to circumvent the Memphis case) appear to be largely on a 6% basis.

It is true that the bond market has now enjoyed quite a comeback since the Federal Reserve lowered money rates, but nevertheless rates on most new issues (for pipeline companies) are still on the high side. Thus Transcontinental Gas Pipeline, which is less affected by Memphis than some others, had to pay 5.75% recently on preferred stock and 4⅝% for mortgage money. Tennessee Gas Transmission in April issued 5% debentures and Texas Eastern Transmission in March issued mortgage bonds on a 4.92% basis, though Columbia Gas with a better rating issued debentures to yield 4.40%.

Comprehensive Statistics Compa

	Southern Natural Gas	Tenn. Gas Transmission	... Lines— ...xas ...tern ...ns- ...sion
PLANT VALUE (MILLIONS) GROSS	$224	$1,162	$799
Depreciation Reserve	58	176	112
Net Plant Account	166	986	687
CAPITAL RATIOS (%)			
Funded Debt to Total Capitalization*	51	66	66
Preferred Stock to Total Capitalization	......	9	9
Conv. Pfd. Stock to Total Capitalization	......	6	4
Com. Stock & Surplus to Total Capitalization	49	19	21
ANALYSIS OF REVENUES (%)			
Natural Gas (Prod., Transmission & Distrib.)	96	69	87
Oil Production & Petroleum Products	3	27	11
Gasoline & Other Refined Gas Products	......	......	......
Miscellaneous Other Revenue	1	4	2
INCOME ACCOUNT (CONSOLIDATED)			
Gross Revenue (Millions)	$ 84	$313	$22
Natural Gas & Petroleum Prod. Purchased	38	125	11
Operating Expense	10	52	33
Maintenance	2	8	4
Depreciation, Amort., and Depletion	8	40	21
Development Expense	2	......	......
Federal Income Taxes	6	21	14
Net Operating Income (after all taxes)	13	54	36
Gross Income	14	61	38
Gross Income as of a percentage of total capitalization	7.4%	6.0%	9%
Fixed Charges (less Int. Credit on Const.)	$ 3	$ 21	$ 13
Net Income	10	38	25
EXPENSE RATIOS (%)			
Ratio Depreciation to Gross Revenues	9	12	9
Comb. Deprec. Depl. & Maint. to Gross Rev.	12	15	11
Development Exp. (Explor. Dry Holes, etc.)	3	......	......
Operating Ratio (Including taxes)	84	82	84
EARNINGS RATIO			
No. of Times Fixed Ch'ges Earned after Taxes	4.3	2.9	3.0
Common Stock—Dividend Payout (%)[2]	85	49[3]	55

*—Includes Bank Loans for some companies.

Retail Distribution Growing

The retail end of the industry has not been too greatly disheartened by the troubles of its suppliers, the pipelines and wholesalers. Nearly a million new customers a year are still being obtained; at the end of 1957 there were nearly 31 million gas utility customers, and where distribution mains did not extend because of the sparsity of population, some 8 million more were served with LP or bottled gas. Very nearly the whole population now has natural gas available—Maine is the only state with no natural gas distribution. Gas revenues (excluding LP) now exceed $4 billion a year or roughly half of the nation's electric bill.

The gas industry is going "all out" to promote increased use of gas, regardless of possible trouble in filling the increase in demand. Under the so-called PAR Plan sponsored by the American Gas Association (PAR stands for promotion, advertising and research) a well-rounded development campaign is under way. There has been a substantial increase in the use of prepared displays, posters, ads, etc. Gas appliances were featured last year in 281 editorial pages of magazines, covering the creation of "New Freedom Gas Kitchens and Laundries," etc., the advertising value of this support being estimated in millions of dollars. The industry's first important use of television—the "White Christmas" appliance promotion featuring Bing Crosby and the regular "Playhouse 90" hour – have met with a good reception.

Under the title "Automatic All The Way", a sales and promotional program for modern gas ranges has been prepared and distributed to the industry. The plan was designed to help utility companies increase sales, particularly through dealers, of gas ranges featuring automatic lighting. Production of new smokeless and odorless gas incinerators, based on designs developed through AGA research, have been begun by several manufacturers. The new incinerators likewise promise to open an important market for load building gas sales, as they win acceptance in air pollution-conscious communities.

...s Compa... Position of Leading Natural Gas Companies

								Integrated Companies							Retail Distr.	
...ern ...ral ...s	Tenn. Gas Trans-mission	... Lines ...exas ...tern ...ans-...sion	Texas Gas Trans-mission	Trans-Continental Gas Pipe Line	Amer. Natural Gas	Columbia Gas System	Con-solidated Natural Gas	El Paso Natural Gas	Lone Star Gas	Northern Natural Gas	Pan-handle Eastern Pipe Line	Peoples Gas Light & Coke	United Gas Corp.	Brooklyn Union Gas	Pacific Lighting
4	$1,162	$799	$223	$479	$687	$921	$686	$1,139	$361	$498	$291	$633	$783	$160	$698
8	176	112	51	59	115	210	182	166	113	103	95	173	236	39	121
6	986	687	172	420	572	711	504	973	248	395	196	460	547	121	577
1	66	66	62	68	67	54	40	67	51	58	56	57	56	51	42
..	9	9	9	12	......	......	......	10	......	11	5	2	......	......	22
..	6	4	......	......	......	......	......	2	5	......	......	......	......	......	......
9	19	21	29	20	33	46	60	21	44	31	100	41	44	49	36
6	69	87	100	100	100	98	97	80	82	95	97	97	81	100	100
3	27	11	......	......	......	2	......	8	9	......	1	......	7	......	......
	......	......	......	......	......	......	......	8	6	1	2	1	6	......	......
	4	2	......	......	......	......	3	4	3	3	......	1	6	......	......
	$313	$22[illegible]	$ 96	$ 97	$192	$376	$280	$ 301	$104	$129	$117	$174	$300	$ 70	$239
	125	11[illegible]	52	34	46	189	128	106	21	44	52	42	137	18	......
	52	3[illegible]	11	14[1]	47	65	59	68	27	24	18	46	57[1]	19	162[1]
	8	4	3	......	9	15	9	10	5	4	3	6	......	5	......
	40	21	7	11	19	21	16	37	12	15	9	16	24	5	13
	......	......	2	......	......	......	......	......	3	......	......	......	8	......	......
	21	14	6	10	20	26	22	11	10	15	10	20	14	6	15
	54	36	11	23	33	44	33	63	19	21	19	25	46	9	27
	61	38	11	24	35	44	34	64	20	22	23	27	46	9	27
%	6.0%	9%	7%	5.5%	5.6%	6.1%	6.6%	5.5%	7.4%	5.7%	10.4%	5.8%	7.4%	7.0%	5.0%
	$ 21	$ 13	$ 4	$ 8	$ 15	$ 12	$ 6	$ 28	$ 5	$ 5	$ 4	$ 8	$ 12	$ 2	$ 7
	38	25	6	15	19	30	28	34	15	15	19	15	32	6	19
	12	9	8	11	10	5	5	12	11	11	8	9	8	4	5
	15	11	11	......	15	9	9	15	16	14	11	13	27[1]	10	......
	......	......	2	......	......	......	......	......	3	......	......	......	3	......	......
	82	84	88	76	82	88	87	77	81	83	81	85	84	87	88
	2.9	3.0	2.8	2.9	2.2	3.5	5.9	2.3	3.9	3.1	5.5	2.5	3.8	4.2	3.9
	49[3]	55	49	73	66	76	65	54	79	74	65	66	60	75	82

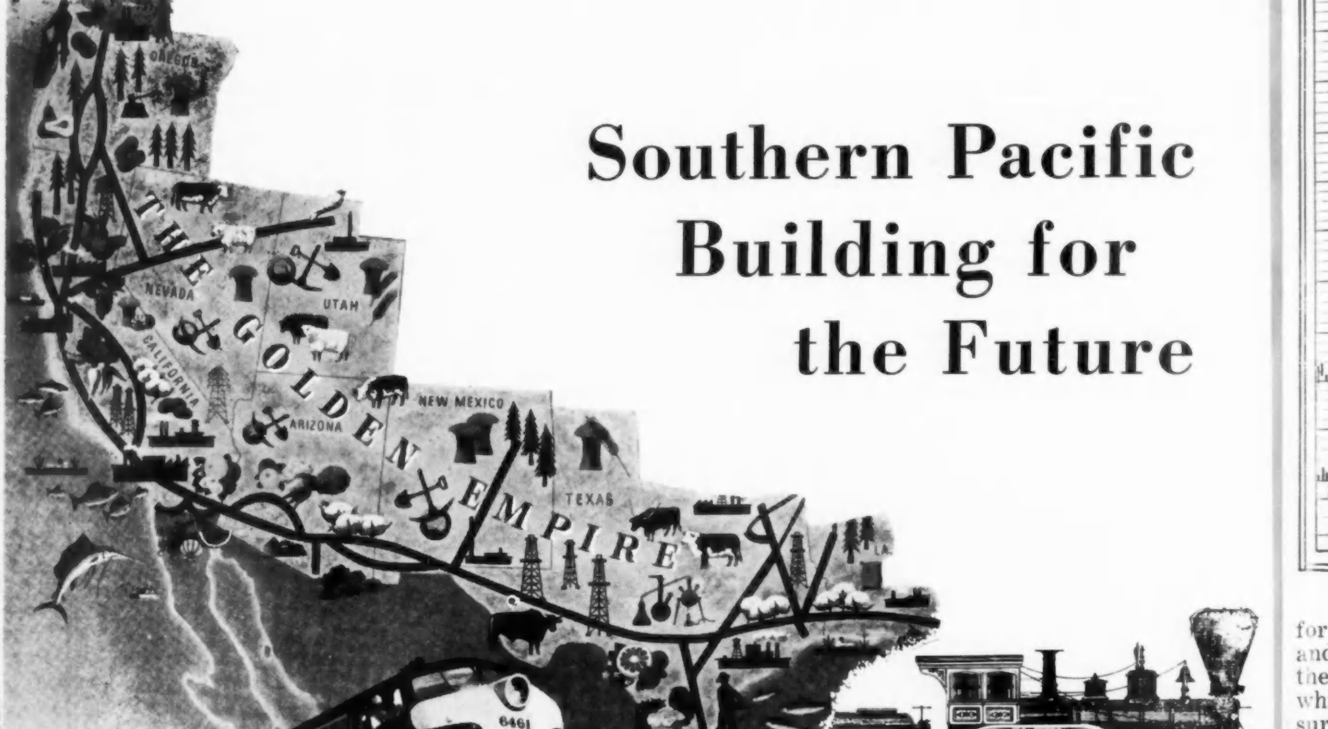
—Combined operating and maintenance expenses. [2]—Based on latest indicated dividend rates. [3]—Plus stock.

Gas and Electricity Compete Actively

Competitive conditions are beginning to develop between the electric and gas utilities. The gas utilities have had almost a monopoly outside of oil and coal) in developing the residential heating load, but in order to balance this, they are now anxious to break into the summer cooling and air-conditioning field where thus far the electric utilities have enjoyed almost a monopoly. On the other hand, to balance its rapidly growing air-conditioning load the electric utilities are now taking a hard look at various methods of electric heating, and are rapidly developing the heat pump plus various methods of resistance heating. Thus with each industry anxious to enter the other's seasonal field in order to improve their annual load, competitive pressures may sooner or later begin to affect the earnings position of each industry. However, such a development is probably some years away.

The gas retailers have been anxious not only to develop better appliances in general, but through AGA and in cooperation with manufacturers have had the following goals in mind: (1) To improve gas ranges and offset the growing popularity of electric ranges; (2) to increase their hold on the valuable water-heating market; (3) to promote "all gas" homes, in contrast with "all electric" houses sponsored by the electric utilities; (4) to break into the air-conditioning field and more specifically to make a successful counterpart of the electric heat pump, which combines heating and cooling functions; and (5) to recover the ground lost in gas refrigeration, which has slipped in recent years for various reasons.

The industry feels that it has been gaining ground recently in the new field of gas air-conditioning, with which a number of manufacturers led by Servel have been experimenting for some years. Servel's apparent failure to cooperate effectively with the industry and its inability to effectively merchandise its residential (*Please turn to page 387*)



Southern Pacific Building for the Future

By Marius Jalet

SOUTHERN PACIFIC . . . Southern Pacific . . . If that great name does not set you thinking and reflecting on the past of the West, as well as its future, then of course no railroad stock could. A railroad stock? In these days of supersonic bombers, glamourous wonder metals, miracle drugs, electronics, and moon shots, to even mention the iron horse to investors seems old hat, almost de trop.

To understand the Southern Pacific one needs first to look at a map of the United States. Trace the eight-state area from Portland, Oregon down to San Francisco and Los Angeles . . . thence southeast through Texas to New Orleans. Not only is it one of the largest areas in the United States, but also one of the most richly endowed by climate and natural resources. And because of its great wealth it is also the fastest growing part of the country. It is in this fruited plain that the largest city in the world may one day be located as the population 'explodes', to quote the actuaries.

Girl of the Golden West . . .

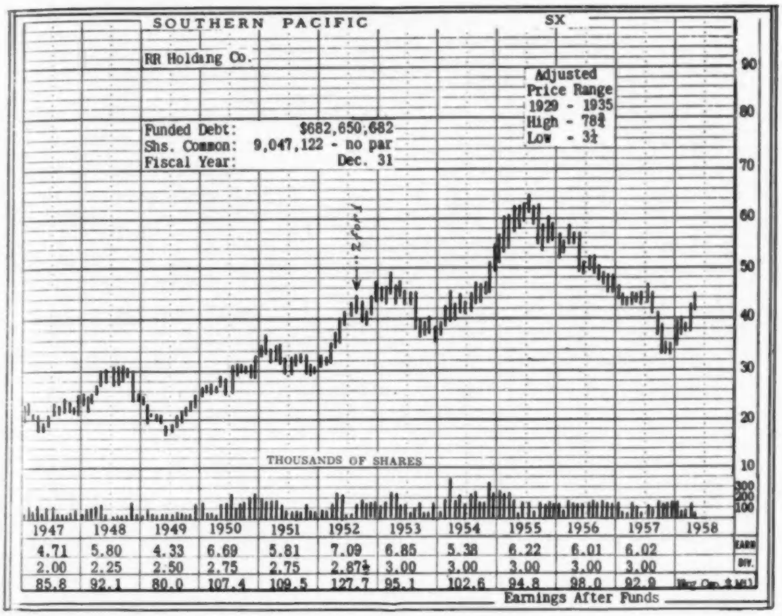
Over this broad span Southern Pacific operates over 12,000 miles of railroad. This is a lot of railroad, indeed the second largest in the United States in terms of mileage. And as we shall see, the management of Southern Pacific knows how to run a railroad.

The company's equity may not have the glittering appeal it once had as a stock to put away and forget. But the company's stockholders, and there are 71,000 of them, are doing rather well. Unless the present industrial squall blows up into a real hurricane, it seems likely that the company and its stockholders will come out of the present recession stronger than they went into it.

In this respect the company's performance in 1957 and the early part of 1958 was reassuring. During 1957 for example the company reported a decline of 5.2% in freight ton-mileage and a slippage of 11.5% in passenger miles. Increases in freight and passenger rates cushioned the declines and total dollar revenues were off only 2.2%. On its part the management lost no time in flagging down budgets and blowing the whistle on expenses.

Reduced operating costs, lower equipment rentals, increased efficiency of operations and well maintained other income braced results, and net income for the year was up a trifle. Net equaled $6.02 a share as against $6.01 a year earlier. It was decidedly above the railroad industry's average results for the year, as net income of the industry was off sharply.

Results for the first quarter of 1958 also were encouraging. Considering the 20% or more general decline in traffic, and the leverage which characterizes railroad operating results, Southern Pacific's showing has been good. Total operating revenues



for the first quarter were down approximately 6%, and net income was $1.21 a share, down 14% from the comparable quarter of 1957. It is a showing which should have been envied by many a not-so-sure-of-itself "growth" enterprise. And this is the proper place to observe that quarterly dividends of $0.75 a quarter were not only covered, but covered by a relatively good margin, which is better than par for the course this year.

Looking ahead to the balance of 1958 there is little reason to expect any major snap-back in the country's economy, or in Southern Pacific's revenues and earnings. However, the recession does appear to be losing some of its steam, and unless there is a secondary downswing later in the year, it may well be that the worst has been seen in the decline of revenues and earnings. The outlook for the major grain and citrus crops is excellent (grasshoppers notwithstanding). Under these conditions Southern Pacific should be able to earn about $5.00 a share for 1958. The present dividend of $3.00 appears secure, as does the yield of 6.6%.

Longer Range Considerations

However, Southern Pacific is one of the few railroad issues which also appears to have a genuine appeal for longer term capital appreciation. There are numerous aspects of this, all of significance to long pull investors.

First and probably foremost is the company's capital improvement program. In 1957 the company spent $118 million on capital improvements, and what is even more impressive, passed the $1 billion mark in its postwar program of improvements . . . indeed one might almost say of rehabilitation. They've been working on this railroad.

Regarding this program and its results, one could hardly improve on President D. J. Russell's observation in the 1957 annual report, which is as follows: "Without the greater efficiency gained from capital improvements, Southern Pacific would not have come close last year to 1956's net income."

One of the most expensive parts of this program has been dieselization of the entire system. This was completed in 1957, although a few steamers are being kept in reserve for traffic peaks. However, modern classification yards, new sidings, spurs, communications equipment, and other facilities also have been installed . . . all at the relatively inflated costs which characterize post-war capital expansion.

Still not completed is the company's remarkable project for building a 13-mile fill of solid earth and rock to replace the wooden trestle portion of the Lucien cutoff spanning Great Salt Lake in Utah. This project, budgeted at about $50 million will not be completed until 1960, and by the end of 1957 approximately 16 million (*Please turn to page* 391)

Long-Term Operating and Earnings Record[1]

	Total Operating Revenues	Income Taxes	Total Operating Expense	Operating Ratio %	Gross Income	Total Fixed Charges	Net Income	Net Earnings Per Share	Div. Per Share	Price Range High Low
	(Millions)					(Millions)				
1957	$663.4	$ 5.7	$532.1	80.2%	$76.2	$25.1	$54.5	$6.02	$3.00	46⅞-33[2]
1956	678.3	5.9	548.5	80.8	69.8	22.3	54.4	6.01	3.00	58⅞-44⅜
1955	666.9	9.1	529.1	79.3	76.0	21.8	56.2	6.22	3.00	65⅛-51
1954	626.2	9.3	500.8	79.9	65.9	20.8	48.7	5.38	3.00	54⅞-36⅝
1953	692.0	36.8	525.9	76.0	78.9	20.2	62.0	6.85	3.00	49¾-35⅞
1952	700.3	44.8	519.9	74.2	83.2	20.5	63.4	7.09	2.87	47⅞-38¾
1951	647.6	30.1	499.3	77.1	67.2	20.4	49.9	5.81	2.75	37⅛-28⅝
1950	598.2	39.3	437.3	73.1	72.2	20.8	54.3	6.69	2.75	35⅝-24½
1949	537.5	17.7	424.8	79.0	51.7	20.6	32.7	4.33	2.50	25½-16¼
1948	587.4	24.3	457.2	77.8	59.8	20.3	43.8	5.80	2.25	31⅛-21¾
10-Yr. Aver. 1948-1957	$639.7	$22.3	$497.4	77.7%	$70.0	$21.2	$52.0	$6.02	$2.81	

1—Southern Pacific Company and Transportation System Companies   2—To June 6, 1957

FOR PROFIT AND INCOME

Investment Outlook

Reflecting the Federal Reserve's easy-money policy, yield on high-grade corporate bonds has fallen from an average around 4.2% last November to about 3.6% at present. This, plus increased investment confidence, has been the foundation for the rise in prices of good-grade income stocks. Allowing for shrinkage ahead in new-capital corporate financing, and a quite possible further cut in bank reserve requirements and discount rates, bond yield could recede to, say 3.4%, which would be equal to roughly a third of the reduction already seen. With institutional-fund and other cash continuing to seek employment, that would seemingly support at least a moderate further appreciation in income stocks which have an adequate "money-market flavor." Among the best selections are stocks which have not too greatly discounted likely late-1958 or early-1959 dividend boosts. In our opinion, they include National Biscuit, National Dairy Products, Equitable Gas, Pacific Gas & Electric, Lone Star Gas, Public Service of Indiana, Reynolds Tobacco and Washington Water Power.

Retail Stocks

On an over-all basis, retail stocks lagged behind the market on the advance from the 1949 low, and more so on that from the 1953 low. They topped in 1955, against 1956 for the general list. The reasons: (1) due to competitive factors, possibilities for profit-dividend growth is retailing are more restricted than in many other lines of business; and (2) best earnings in most cases were reached within the early postwar years 1946-1949 or, in some instances, as far back as 1929. Divergencies have been wide and remain so. Long in its own bull market, the food-store group has soared progressively to new all time highs. The worst long-term behavior has been that of the apparel-chain stocks, such as Lerner, Bond and others; and that of variety-store stocks. But market values and prices are always relative. Although average earnings will be lower this year, they will hold up better than in the more recession-sensitive industries; dividends are amply covered in a majority of cases; and yields in many cases are relatively high.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Kansas City Power & Light	12 mos. April 30	$2.99	$2.79
Texas Utilities Co.	12 mos. April 30	2.54	2.36
Carolina Power & Light	12 mos. April 30	1.94	1.69
Young Spring & Wire Corp.	9 mos. April 30	1.27	.52
Tile Roofing Co., Inc.	16 weeks April 19	.27	.14
Brown & Bigelow	Quar. April 30	.51	.44
United Aircraft Corp.	Quar. Mar. 31	1.78	1.69
Minnesota Power & Light	12 mos. April 30	2.58	2.17
ACF-Wrigley Stores	9 mos. Mar. 29	1.07	.98
Allied Mills, Inc.	Quar. Mar. 31	1.07	.87

Idle cash has been, and still is, pressing for employment. A number of stock groups with worse 1958 earnings—for instance, rails, coppers and steels—have been able to score good rallies. So it is not too surprising that all the retail stock groups have now risen more from the late-1957 lows than has the industrial list. But the basic limitations are still there. Excepting the food-store group, this is a recovery—not a bull market for typical retail equities.

Selections

It is impossible to estimate the duration and limit of the bull market in food-store stocks. But they are "up there". On average, price-earnings ratios are rather high, cash-dividend yields low. Competition will in time check profit growth. The case for holding the stocks seems better to us than that for new buying. We see nothing to get excited about in the mail-order group, since its important representation in hard goods figures to remain a profit drag for some time. The relatively drab apparel-chain issues appear about amply priced. In view of good and apparently secure dividend yields, there could be a moderate further recovery in some of the variety-store stocks, including Woolworth and Kresge. Featuring popular-priced soft goods in its great number of stores, Penney is in a class by itself and has an excellent record; but the stock is no bargain at 94, yielding about 4.5% on a $4.25 dividend basis. The two best-quality and best-record department store stocks are Federated Department Stores, now at 37, yielding nearly 4.9% on a $1.80 dividend, recently raised from $1.60; and May Department Stores, at 39 yielding over 5.6% on a secure $2.20 dividend, with a continuous payment record since 1910. The latter was recommended here earlier at a lower price. Both are good holdings.

Scoreboard

Dividends were cut or omitted by 92 companies in May, against 28 in the same 1957 month; while the number of increases or extras totalled 50, against 76 a year ago. In these numerical terms, it was the worst showing in a number of years, although total dividend payments remain at a peak level. Many companies are now distributing uncommonly high percentages of earnings. Hence, we continue to expect many more cuts or omissions than have been seen so far, even if there is moderate late-1958 improvement in business. If the latter should prove disappointing, so will be the fourth-quarter payments – especially as regards year-end extras.

Cross-Currents

Regardless of over-all tendencies in the averages, with only utilities and favored industrial income stocks in definite bull-market trends, there continues to be considerable churning around and rotation of strength in the stock groups. The cross-currents vary from week to week, in many instances reflecting temporary technical factors rather than fundamentals. At this writing a majority of the groups which are faring better than the market are those which have heretofore lagged and whose profit prospects are not at all rosy. Hence, they probably reflect short covering. Some examples are air lines, chemicals, coppers, machine tools, oils and tires. Principal groups lagging behind the market at this time are automobiles, auto parts, drugs (after a big earlier rise), farm equipments, finance companies, gold mining, liquor, office equipments, radio-television, shipbuilding, shipping, shoes and textiles.

Auto Parts

At present the auto parts group is at a level about 17% above its late-1957 low, and roughly 12% under its 1957 bull-market top—and also at a level only slightly above the best mark reached as far back as 1929. This is not a good field for investment, nor for longer-term speculation. The limitations in its business with the big automobile makers, which naturally hold the whip hand, are obvious. That is why there has been so much emphasis by parts makers on diversification outside of the automotive field. But the newer lines are primarily in capital goods where there has been long-established leadership by other companies. Virtually all of their lines are now depressed, and the auto companies are forcing harder and harder terms for new contracts. There are better stocks to hold or buy than typical auto parts issues.

Drugs

Drugs stocks have performed better than the market over an extended period. They are not likely to do so in equal degree, if at all, over the medium term, although long-range potentials still look good. Reasons: (1) they are "up there," none is cheap, some are dear; (2) while full-year earnings will be moderately higher in most cases, second-half comparisons will be less favorable, since 1957 second-half profits were bolstered by the flu epidemic, which added largely to sales of some ethical drugs and various types of proprietary remedies; (3) a critical Federal Trade Commission report on prices of antibiotics, to be released soon, may have market effect, although it will not come as a surprise. Among the ethical drug stocks, Merck looks high. So does Pfizer. Some profit taking is recommended. Parke, Davis could react a bit further, but the stock remains reasonably priced on likely 1958 earnings. In the case of the diversified proprietary-ethical situations, without major emphasis on antibiotics, the stocks do not appear particularly vulnerable. American Home Products recently had a very sharp further advance. It is a good stock, but far from cheap. Warner-Lambert is moderately priced. We think

(*Please turn to page* 394)

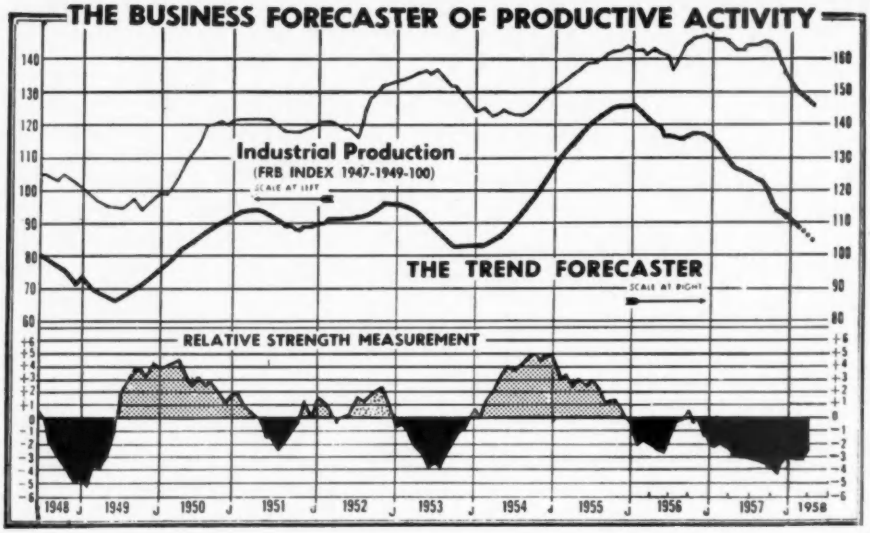
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Caterpillar Tractor	4 mos. April 30	$ .64	$2.04
General Precision Equipment	Quar. Mar. 31	.16	.85
Delaware & Hudson Co.	4 mos. April 30	.37	1.70
Island Creek Coal	Quar. Mar. 31	.53	1.26
Firth Carpet Co.	Quar. Mar. 31	.02	.45
International Nickel of Can.	Quar. Mar. 31	.83	1.61
Amer. Radiator & Std. Sanitary	Quar. Mar. 31	.11	.26
Cincinnati Milling Machine	12 weeks Mar. 22	.62	1.23
Decca Records, Inc.	Quar. Mar. 31	.11	.61
Radio Corp. of America	Quar. Mar. 31	.59	.87

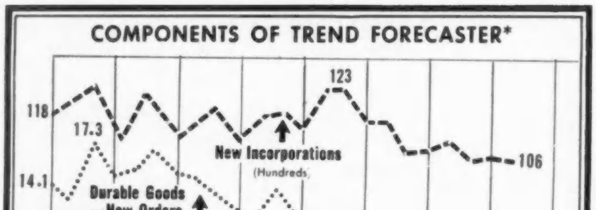
the Business

Business Trend Forecaster *

***INTERESTING TO NOTE** — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.*



***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(*)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F. W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

In the second quarter, it now seems clear, the **Relative Strength Measure** has enjoyed a better performance than in the first quarter. While only preliminary estimates are now possible for the quarter as a whole, three of the eight component indicators seem to have behaved strongly; these are stock prices, housing starts, and average hours worked. The rate of decline has also abated in commodity prices, and the recent behavior of both new incorporations and durable goods orders suggests that a bottom in these series is near, if it has not already been reached.

In retrospect, the trough of the **Relative Strength Measure** now appears to have been reached in November, 1957, at a level of about minus 4.4, and the measure has been rising slowly and irregularly ever since. This picture is quite consistent with the slowing of the rate of general business decline in early 1958, and stabilization of the business trend at the current level. As indicated here in recent issues, the fourth quarter of the year is now clearly marked out as a test area for incipient recovery; meanwhile, current action of the **Relative Strength Measure** and the **Trend Forecaster** indicates that general business should achieve stability in coming months at close to current levels.

Analyst

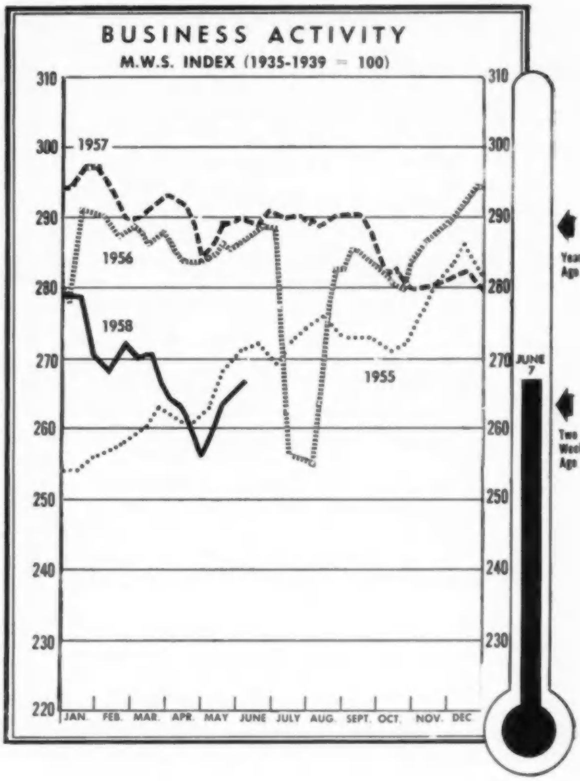
CONCLUSIONS IN BRIEF

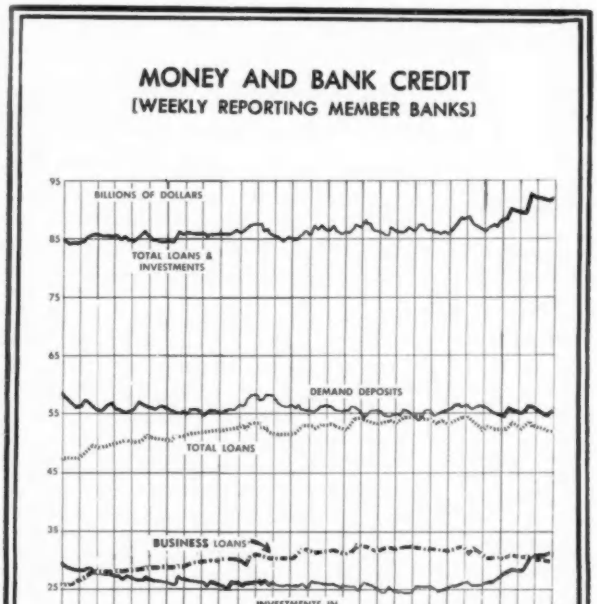
PRODUCTION—Stability has emerged in the production trend, as modest recovery in some raw materials industries offsets continuing decline in some finished goods (notably machinery). Look for no advance (and perhaps further slight decline) in third quarter, and moderate strength appearing in fourth quarter.

TRADE—Stability here too, with retail volume running at better than $16 billion a month, on a seasonally adjusted basis. There's still no zip in retail trade, however; the figure will do well to stay where it is into the Fall.

MONEY AND CREDIT—Little recent change in interest rate structure. Short-term rates now well deflated, little further decline in prospect; long-term rates likely to decline further over the next three months.

COMMODITIES—General price level still about stable, but outlook is for weakening, particularly for agricultural commodities, where large crops are beginning to exert price pressure. Raw industrial commodities still listless, with the exception of scrap steel, and copper.





FOR the last half of 1958, a set of tenable hypotheses is finally beginning to emerge. The hypotheses do not add up to an unequivocal forecast; but they make practical sense, and provide a valuable guide to what has to be watched from here on in.

Major element in the second-half outlook now is housing, not government expenditures. This rather peculiar result develops out of the fact that the great bulk of the federal government's contra-cyclical activity has been concentrated in the housing market, apparently on the assumption that plenty of private demand still exists in this sector if it can be energized by financing assistance. All the possible financing assistance has now been cheerfully delivered to builder and buyer alike; it is now up to the market to deliver a substantially higher rate of building starts (seasonally adjusted) than has prevailed thus far in 1958. It might be added that this is a calculated risk on the part of the government; if, for any reason, the demand should not be there, an important postwar fuse will have finally blown. Our guess; a substantial amount of builder demand, at least, is there; housing starts will rise materially higher, and help out the trend in late 1958. We reserve judgment on whether this increased rate of building will show up in a higher new-home sales rate for 1959.

Secondly, the increase anticipated here in residential building is going to be fully offset by a further decline in business spending for plant and equipment; this is implicit in last week's release of the results of the Department of Commerce's quarterly survey of plant and equipment anticipations.

Finally, while inventory demand is a long way from

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Apr.	126	128	144
Durable Goods Mfr.	1947-'9-100	Apr.	133	135	160
Nondurable Goods Mfr.	1947-'9-100	Apr.	124	124	130
Mining	1947-'9-100	Apr.	109	113	131
RETAIL SALES*	$ Billions	Apr.	16.4	16.1	16.4
Durable Goods	$ Billions	Apr.	5.1	5.0	5.6
Nondurable Goods	$ Billions	Apr.	11.2	11.1	10.7
Dep't Store Sales	1947-'9-100	Apr.	134	131	131
MANUFACTURERS'					
New Orders—Total*	$ Billions	Apr.	24.2	24.8	27.9
Durable Goods	$ Billions	Apr.	10.6	11.5	13.2
Nondurable Goods	$ Billions	Apr.	13.5	13.3	14.7
Shipments*	$ Billions	Apr.	24.8	24.9	28.7
Durable Goods	$ Billions	Apr.	11.5	11.7	14.3
Nondurable Goods	$ Billions	Apr.	13.3	13.3	14.4
BUSINESS INVENTORIES, END MO.*	$ Billions	Apr.	87.7	88.5	90.1
Manufacturers'	$ Billions	Apr.	51.5	52.0	53.7
Wholesalers'	$ Billions	Apr.	12.2	12.4	12.8
Retailers'	$ Billions	Apr.	23.9	24.1	23.7
Dept. Store Stocks	1947-'9-100	Mar.	143	146	150
CONSTRUCTION TOTAL	$ Billions	May	4.1	3.7	4.1
Private	$ Billions	May	2.8	2.6	2.9
Residential	$ Billions	May	1.4	1.3	1.4
All Other	$ Billions	May	1.4	1.3	1.5
Housing Starts*—a	Thousands	Apr.	950	880	962
Contract Awards, Residential—b	$ Millions	Apr.	1,240	1,071	1,232
All Other—b	$ Millions	Apr.	1,641	1,650	1,544
EMPLOYMENT					
Total Civilian	Millions	Apr.	62.9	62.3	64.3
Non-Farm	Millions	Apr.	50.2	50.2	52.3
Government	Millions	Apr.	7.6	7.6	7.4
Trade	Millions	Apr.	11.2	11.2	11.4
Factory	Millions	Apr.	11.3	11.6	13.0
Hours Worked	Hours	Apr.	38.3	38.6	39.8
Hourly Earnings	Dollars	Apr.	2.11	2.11	2.05
Weekly Earnings	Dollars	Apr.	80.81	81.45	81.59
PERSONAL INCOME*	$ Billions	Apr.	343	342	341
Wages & Salaries	$ Billions	Apr.	233	234	237
Proprietors' Incomes	$ Billions	Apr.	51	51	51
Interest & Dividends	$ Billions	Apr.	32	32	31
Transfer Payments	$ Billions	Apr.	25	24	21
Farm Income	$ Billions	Apr.	17	17	16
CONSUMER PRICES	1947-'9-100	Apr.	123.5	123.3	119.3
Food	1947-'9-100	Apr.	121.6	120.8	113.8
Clothing	1947-'9-100	Apr.	106.7	106.8	106.5
Housing	1947-'9-100	Apr.	127.7	127.5	125.2
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Apr.	107.2	106.4	107.3
Bank Debits*—g	$ Billions	Apr.	81.7	76.4	82.7
Business Loans Outstanding—c	$ Billions	Apr.	30.2	31.0	31.5
Instalment Credit Extended*	$ Billions	Apr.	3.3	3.2	3.5
Instalment Credit Repaid*	$ Billions	Apr.	3.4	3.4	3.3
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Apr.	3.5	9.5	4.3
Budget Expenditures	$ Billions	Apr.	6.1	5.7	6.0
Defense Expenditures	$ Billions	Apr.	3.6	3.5	3.8
Surplus (Def) cum from 7/1	$ Billions	Apr.	(6.0)	(3.4)	(3.2)

PRESENT POSITION AND OUTLOOK

recovering from the blows it has suffered in 1958, at least liquidation should be close to an end by late in the fourth quarter. If this is true, a considerable short-term lift to business may come out of the inventory sector in late 1958; the only qualification that should be added is that the lift is likely to be temporary, and will require help from other sectors if it is to run strongly in 1959. At the moment, no such associated strength is now on the horizon, and the general thinking of most analysts is that the uptrend of late 1958, if it should develop, will stabilize quickly, and at a level well below the peaks of 1957.

* * *

ROSTER OF STABILIZING TRENDS: When you hear talk about business turning stable, here are the figures that can be pointed to: (1) retail trade, which has started rising as of April; (2) personal income, which has been in an upward trend since March; (3) nonmanufacturing employment, which picked up a bit in May, while manufacturing employment continued down; (4) housing starts, which apparently reached a trough in March; and (5) unemployment, which stopped rising (on a seasonally adjusted basis) in May. This is not an overwhelming collection of evidence, but it is the best that has developed thus far. The implication: business has bottomed out, at least for the time. Ahead lies a plateau, a regrouping of economic conditions along a new central tendency. As suggested above, this tendency is likely to be mildly upward late in the year.

* * *

WHERE ARE INVENTORIES GOING DOWN? The current record rate of inventory liquidation is concentrated in the following areas: in steel, where the decline amounts to close to $2 billion, at an annual rate; in petroleum, where it amounts to about $1 billion; and, in general, in durables manufacturing, particularly of inventories-in-process. Currently, the composition of liquidation is changing, as production rates stabilize; the liquidation is increasingly taking the form of finished goods, rather than goods-in-process. Some liquidation is also occurring among retail outlets, but it is quite concentrated in retail automotive outlets, where the decline has recently run at a $2-billion annual rate.

* * *

INSTALMENT CREDIT—by all indications, it is still declining at the fastest rate of the postwar years. Only once before—in 1954, and then only briefly—has instalment credit extension run below the rate

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1958 I Quarter	1957 IV Quarter	1957 III Quarter	1957 I Quarter
GROSS NATIONAL PRODUCT	422.0	432.6	440.0	429.9
Personal Consumption	281.2	282.4	283.6	276.7
Private Domestic Invest.	51.8	61.3	66.5	63.6
Net Foreign Investment	1.5	2.0	3.2	4.1
Government Purchases	87.5	87.0	86.7	85.6
Federal	49.5	49.7	50.6	50.3
State & Local	38.0	37.3	36.1	35.3
PERSONAL INCOME	342.5	345.5	346.9	338.3
Tax & Nontax Payments	42.4	43.4	43.6	42.2
Disposable Income	300.1	302.1	303.3	296.1
Consumption Expenditures	281.2	282.4	283.6	276.7
Personal Saving—d	18.9	19.8	19.7	19.5
CORPORATE PRE-TAX PROFITS		37.5	41.8	43.9
Corporate Taxes		19.1	21.3	22.4
Corporate Net Profit		18.3	20.4	21.5
Dividend Payments		11.7	12.6	12.4
Retained Earnings			7.8	9.1
PLANT & EQUIPMENT OUTLAYS	32.4	36.2	37.8	36.9

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	May 31	265.8	265.2	290.3
MWS Index—per capita*	1935-'9-100	May 31	199.0	198.6	221.6
Steel Production	% of Capacity	June 8	62.4	58.1	87.5
Auto and Truck Production	Thousands	June 7	99	92	163
Paperboard Production	Thousand Tons	May 31	247	259	262
Paperboard New Orders	Thousand Tons	May 31	265	242	261
Electric Power Output*	1947-'49-100	May 31	223.8	221.8	222.5
Freight Carloadings	Thousand Cars	May 31	530	571	672
Engineering Constr. Awards	$ Millions	June 5	481	424	443
Department Store Sales	1947-'9-100	May 31	116	128	117
Demand Deposits—c	$ Billions	May 28	55.4	54.7	55.1
Business Failures	Number	May 29	278	337	225

PRESENT POSITION AND OUTLOOK

of repayments. Now it is running steadily and sharply below repayments. A few more months like this, and one will be able to argue that the instalment debt burden has undergone a substantial and healthy seasoning and redistribution, which will in time contribute to a rebirth of demand for consumer durables. But it's worth noting that the process takes time; there is still more outstanding instalment debt than there was a year ago, and it was plenty high then.

* * *

PLANT AND EQUIPMENT OUTLAYS—the figures released by the Department of Commerce this week suggest that total spending of business for new plants and machinery in 1958 will total about 17% less than in 1957—the sharpest drop in the postwar years. Moreover, the figures suggest that the rate of spending in this critical market will still be declining at year end; that is, 1959 will begin with the machinery market still in a downdrift. Major reason for the decline; the pronounced excess of manufacturing capacity over present rates of operation. In general, manufacturing industries are operating at about 70% of capacity; it will take a rise to over 85% before interest in new plants is likely to revive very considerably. **In other words, until the industrial production index gets back into the 140 range, little can be expected in the way of revival of capital spending.**

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d) Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958 Range High	1958 Range Low	1958 May 29	1958 June 6
300 Combined Average	327.2	283.9	324.5	327.2H
4 Agricultural Implements	263.8	196.5	263.8	263.8
3 Air Cond. ('53 Cl.—100)	106.8	87.8	105.0	106.8
9 Aircraft ('27 Cl.—100)	1139.4	982.2	1129.5	1139.4H
7 Airlines ('27 Cl.—100)	757.1	638.8	757.1	757.1
4 Aluminum ('53 Cl.—100)	309.1	253.4	278.7	278.7
6 Amusements	157.1	125.0	152.3	157.1H
8 Automobile Accessories	321.7	298.9	321.7	321.7
6 Automobiles	50.7	40.8	49.9	50.7H
4 Baking ('26 Cl.—100)	34.6	28.5	34.3	34.6H
4 Business Machines	1010.5	898.2	984.6	1010.5H
6 Chemicals	545.5	509.5	535.2	535.2
5 Coal Mining	21.9	18.4	21.4	21.4
4 Communications	100.0	85.7	100.0	100.0
9 Construction	122.1	107.5	119.0	119.0
7 Containers	906.4	707.3	892.7	906.4H
7 Copper Mining	223.0	184.6	217.5	221.2
2 Dairy Products	134.0	115.6	132.8	134.0H
6 Department Stores	93.9	78.9	92.4	90.9
5 Drugs-Eth. ('53 Cl.—100)	280.3	217.2	278.0	278.0
6 Elec. Eqp. ('53 Cl.—100)	207.2	195.8	207.2	205.3
2 Finance Companies	669.1	568.8	669.1	663.5
6 Food Brands	315.6	255.5	315.6	315.6
3 Food Stores	224.1	182.2	222.3	224.1H

(Nov. 14, 1936 Cl.—100)	1958 Range High	1958 Range Low	1958 May 29	1958 June 6
100 High Priced Stocks	214.8	189.7	212.8	214.8H
100 Low Priced Stocks	398.9	334.7	396.3	398.9H
5 Gold Mining	772.5	530.5	757.1	710.7
4 Investment Trusts	160.9	144.4	158.1	160.9H
3 Liquor ('27 Cl.—100)	1056.7	913.4	1038.8	1056.7H
8 Machinery	374.7	343.8	357.6	367.9
3 Mail Order	186.6	143.3	181.2	186.6H
4 Meat Packing	152.4	123.6	145.7	152.4H
5 Metal Fabr. ('53 Cl.—100)	161.1	138.1	140.8	142.2
9 Metals, Miscellaneous	305.2	276.3	299.9	302.6
4 Paper	951.2	841.8	942.8	951.2H
22 Petroleum	745.4	629.7	719.7	745.4H
21 Public Utilities	297.3	258.9	297.3	297.3
7 Railroad Equipment	68.0	59.2	67.4	67.4
20 Railroads	51.3	43.0	49.6	51.3H
3 Soft Drinks	541.8	445.6	541.8	541.8
12 Steel & Iron	280.4	249.3	280.4	280.4
4 Sugar	123.5	102.8	123.5	122.5
2 Sulphur	694.0	543.4	694.0	694.0
10 Television ('27 Cl.—100)	36.2	28.8	36.2	35.9
5 Textiles	122.6	106.9	122.6	122.6
3 Tires & Rubber	160.9	142.3	147.0	150.1
5 Tobacco	139.6	110.9	137.5	138.6
2 Variety Stores	285.4	239.3	283.2	285.4
17 Unclassif'd ('49 Cl.—100)	168.8	145.4	168.8	168.8

H—New High for 1958.

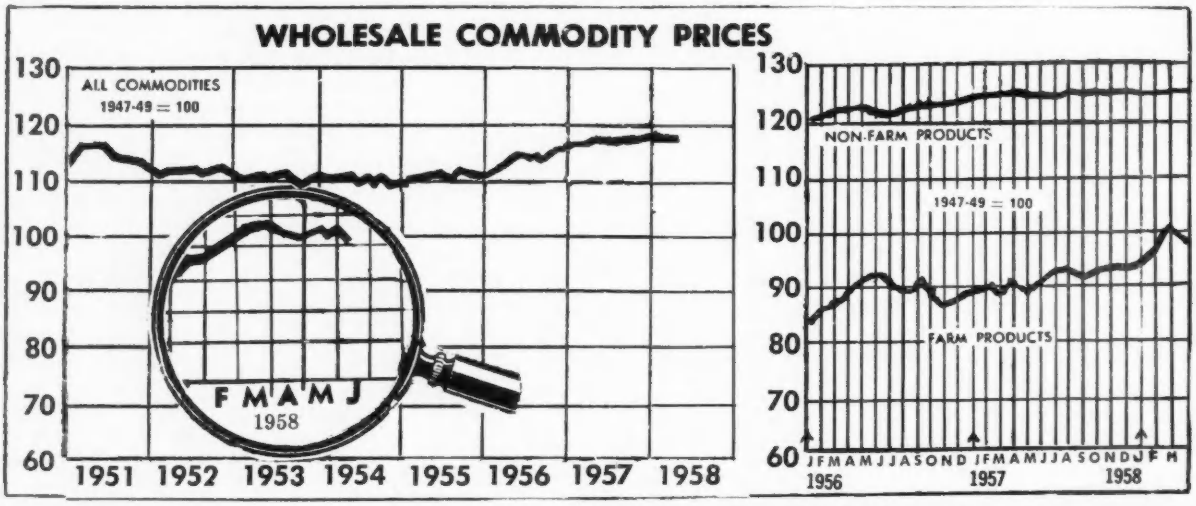
Trend of Commodities

SPOT MARKETS—The BLS daily index of 22 leading commodities was little changed in the two weeks ending June 6, as the result of counterbalancing trends; raw foods were lower while raw industrial materials rose during the period. Metals exhibited definite strength with both copper scrap and steel scrap registering worthwhile gains.

During the period, the BLS' comprehensive weekly commodity price index continued to weaken, falling another 0.2% in the fortnight ending June 3, to close at 119.1% of the 1947-1949 average. At this level it was down 0.6% from the all-time peak reached late in March. Recent action of both farm products and manufactured goods indicates that further decline may be expected for the general price index.

FUTURES PRICES—Futures prices were mixed in the two weeks ending June 6, with advances and declines about in balance. Wheat, soybeans, lard and cotton all were lower, while corn, cocoa, copper and lead worked higher.

Wheat prices receded in the period under review with the September option losing 2¼ cents, to close at 186, only ¾ cent above the low reached in mid-May. Improved weather played an important part in the downturn, beneficial rains removing the immediate drought threat to the Spring wheat crop. Forecasts that the winter wheat crop would be even larger than previous estimates, also brought in sellers. With harvesting bringing pressure on prices, wheat may remain depressed for some weeks to come.



BLS PRICE INDEXES 1947-49—100	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	June 3	119.1	119.3	117.4	60.2
Farm Products	June 3	96.2	97.3	90.9	51.0
Non-Farm Products	June 3	125.2	125.2	125.2	67.0
22 Sensitive Commodities	June 6	85.8	85.8	89.9	53.0
9 Foods	June 6	91.8	92.6	84.5	46.5
13 Raw Ind'l. Materials	June 6	81.7	81.2	93.7	58.3
5 Metals	June 6	83.7	82.8	105.6	54.6
4 Textiles	June 6	76.3	76.6	84.2	56.3

MWS SPOT PRICE INDEX

14 RAW MATERIALS
1923-1925 AVERAGE—100

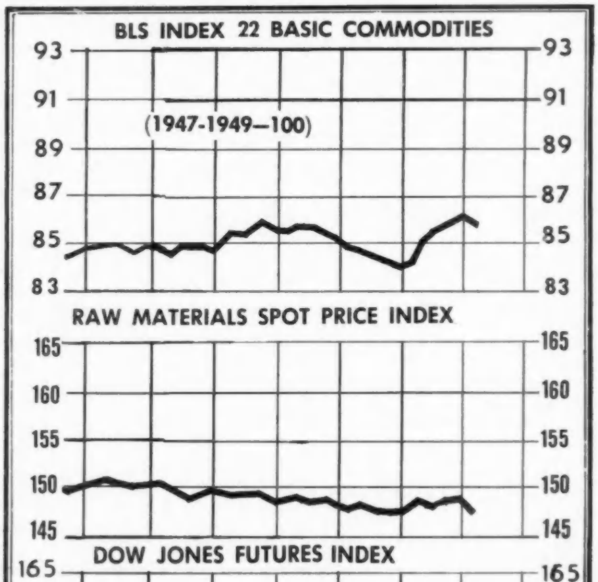
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1958	1957	1953	1951	1945	1941
High of Year	150.2	166.3	162.2	215.4	98.9	85.7
Low of Year	147.1	149.5	147.9	176.4	96.7	74.3
Close of Year		150.0	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX

12 COMMODITIES
AVERAGE 1924-1926—100

	1958	1957	1953	1951	1945	1941
High of Year	159.0	163.4	166.5	214.5	106.4	84.6
Low of Year	154.1	153.8	166.8	189.4	105.9	84.1
Close of Year		156.5	147.9	176.4	96.7	74.3



How Valid is the New Interest in the Gold Shares

(*Continued from page* 371)

American gold mines are very few, but **Homestake Mining** is the largest on the North American continent. Homestake should at least provide a double-edged hedge in the next few years, and quite conceivably something more. Its gold production, which is still in an upward trend, has recently been supplemented by participation in large-scale uranium mining in New Mexico. With Government purchases assured for both uranium and gold, interest in Homestake could rise on improved outlook for these minerals.

Natomas Co. which dredges gold in California, now derives its principal income from an approximate 50 per cent interest in American President Lines. Gold dredging is being conducted on a reduced scale as compared to former years. Exploration for metals other than gold is being undertaken, and the outlook for the shares essentially depends on the success of these efforts plus continued receipt of income from American President Lines.

South American Gold & Platinum owns sizable properties in Colombia producing both gold and platinum. Also, the company is engaged in an active exploration program which could ultimately enlarge its position as a South American minerals enterprise. However, the shares are more speculative than most gold producers, for earnings are subject to fluctuations in the value of the Colombian peso, which is currently none too stable.

Among Canadian mines, **Kerr-Addison** is largest, with daily milling capacity of 4,500 tons. Proved reserves sufficient for eight years' operations are well above the Canadian average, though much lower reserves do not by any means indicate that a gold mine in the Dominion is a poor risk. (Possibility of developing additional reserves as needed is the telling point.) While earnings of Kerr-Addison are not likely to increase sizably in the near future, the dividend is considered secure and the company has steadily increased its output over the years, indicating that it will participate fully in any improvement in the outlook for gold.

Dome Mines is one of the oldest Canadian gold producers. Though its original property is long past the growth stage, Dome has wisely broadened its operations, as a result of which the company may experience a good measure of long-term growth. Two companies controlled by Dome, Campbell Red Lake Mines and Dome Exploration (Western), are becoming increasingly important in gold production and oil and gas development, respectively.

McIntyre Porcupine, another veteran producer, is interesting primarily as an investment and holding company, with earnings coming largely from outside investments. Its portfolio, which includes several blue-chip American companies, had a market value equivalent to $80 per share of McIntyre at the end of last year. With McIntyre now moving to acquire working control of Ventures Ltd., long-term growth in Canadian natural resources developments is a good possibility.

The Smaller Mines

Several of the smaller mines are interesting not only because of the general improvement in the gold outlook, but also because they are young producers whose ore grade may well rise as they become better acquainted with the peculiarities of ore deposition on their properties. Also, young mines have much less concern about maintaining adequate ore reserves than more mature producers.

These conditions apply particularly to the Red Lake camp in western Ontario. Red Lake is relatively young, average grade of ore mined has climbed steadily for several years and exploratory drilling is turning up abundant quantities of new ore, much of it of higher grade than is now being mined. Four Red Lake mines, Campbell Red Lake, Cochenour Willans, Madsen Red Lake and New Dickenson Mines, appear worth noticing at this time.

Campbell Red Lake is the leading producer in the area. Mine developments encourage the belief that long-term expansion of operations and, consequently, a rising earnings potential, is a good possibility. Campbell may also start to participate in the outside exploration activity of its parent, Dome Mines.

Current earnings of **Cochenour Willans** are increasing substantially due to mining higher grade ore. New equipment is improving efficiency, recent development drilling has been highly successful and, over the next few years, the depth of the mining shaft may be doubled.

While current market prices discount some of the favorable outlook for Campbell and Cochenour, a more conservative valuation is being accorded the shares of Madsen Red Lake and New Dickenson. Grade of ore mined by Madsen has jumped sharply recently, and the company is finding highly commercial material as it probes the deeper sections of its mine. A heavy ore development program is likely for the next few years.

New Dickenson had record earnings in 1957 and, despite mine repairs which cut production in this year's first quarter, profits for all of 1958 may equal or surpass those of a year ago. Dickenson is currently mining ore containing just over half an ounce of gold per ton, but an extended exploration program on the lower levels of the mine has uncovered large amounts of much higher grade material. As the new, richer ore will make up a larger proportion of the company's production during the next several years, Dickenson's long-term earnings possibilities seem encouraging.

Other Canadian golds with rising earnings prospects are Bralorne Mines and Consolidated Discovery Yellowknife. **Bralorne** is a mature mine which apparently achieved its peak just before and during World War II. Reserves dwindled steadily after the war ended, but drilling in the last few years has disclosed large amounts of high-grade ore deep in the mine. Bralorne started mining the new rich ore last year, and earnings rose sharply. For the next several years, the company expects the grade of mill feed to be at least as high as in 1957.

Consolidated Discovery possesses extremely rich ore reserves, which offsets the high costs of operating a mine in the remote Yellowknife region of the Northwest Territories. Earnings this year may rise about 10 per cent over the record profits turned in during 1957. Consolidated Discovery is a relatively young mine, with interests in other promising

(*Continued on page* 387)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities at* reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Beatrice Foods Co.

"I have been reading your magazine for quite some time and am favorably impressed with it. I would like to receive recent earnings data on Beatrice Foods Co." S. C., Spokane, Washington

For the fiscal year ended February 28, 1958 Beatrice Foods Co. reported record sales of $353,971,987 and consolidated net earnings of $7,601,678.

Sales showed an increase of 3.5% in latest fiscal year over the preceding year's total of $342,086,657.

Net earnings after Federal taxes showed a gain of 3.9% and were equal to $3.52 per share of common stock on 2,049,181 shares outstanding, compared to adjusted earnings of $3.43 per share for the previous year after giving consideration to a 50% common stock distribution on March 5, 1957.

Working capital increased 6.9% to $36,526,028. The company had $4.80 in current assets for each dollar of current liabilities compared to $4.53 at the end of the preceding year.

Breaking down total sales, bottled milk and cream constituted 40% of the volume, ice cream 18%, non-dairy foods and services department 21%, butter 12% and other manufactured dairy products 6%.

During the past year, the company completed construction of a new milk plant at Clarksburg, West Virginia, to serve the northern part of the state. Also completed a modern dairy farm on the island of Oahu which supplies milk to Dairymen's Association Ltd., the company's milk operation in Honolulu. The new milk processing plant at Greeley, Colorado, was also completed and put into operation in 1957. Ice cream plant expansion and improvements were completed in Honolulu, Pasadena, California and Beloit, Wisconsin.

Non-dairy foods and services sales volume increased in both dollar and unit sales last year, as all divisions of the Grocery Products Division formed in 1957 showed progress.

Unit sales of frozen foods were higher than a year ago, but dollar sales showed no increase because of declining selling prices as profit margins on frozen foods continued to narrow. Similarly, volume carried in the company's 11 public cold storage warehouses was lower than a year ago because of unsettled market conditions.

The company is constantly working on new uses for products made from milk.

Several new powdered specialties for bulk sales have been developed, such as fruit juice powders for beverages, prepared mix products for the baking industry. New items such as special sweetened condensed milk products, powdered butter and ice cream mix, have been developed for sale in foreign markets.

Current quarterly dividend is 45 cents per share.

This is the fourth largest dairy products company. Recent acquisitions, including non-dairy products have diversified the business.

Hammond Organ

"Please inform a subscriber on recent operations of Hammond Organ. I presume this is a luxury business and have been wondering how the company has fared in the recession". P. A., Baltimore, Maryland

Hammond Organ is the world's largest organ manufacturer. The company now owns five factories, covering 550,000 sq. ft. of floor space and employs 1250 men and women.

The company has made dividend payments for 23 consecutive calendar years and latest regular quarterly payment of 35 cents per share is payable on June 10.

The company anticipates following the current dividend pattern of 35 cents a share quarterly with extras before the end of the fiscal year. In the past fiscal year the company paid dividends of $2.30 a share, including extras of 65 cents and 25 cents.

Hammond Organ Co. sales reached a high of $27,915,422 in the fiscal year ended March 31, 1958, a gain of $228,525 over the preceding fiscal year.

Net profits, after taxes, were $4,587,411 or $3.07 a share compared with $4,888,087 or $3.27 a share for the preceding fiscal year.

Increased expenditures for research and development contributed to lower earnings. Higher costs of operating the company's additional manufacturing facilities plus normal increases in other operating expenses also reduced earnings.

Although current first quarter factory shipments are off from a year ago, company explained that this situation could be traced to

(*Please turn to page 394*)

mines and mining prospects in the Northwest Territories. Based on its past record, the stock is currently selling low in relation to earnings, reflecting its speculative position.

Giant Yellowknife, also in the Northwest Territories, has a 10-year ore supply, which makes it fundamentally sound. Giant has had chronic difficulty in recovering the gold content of its ore, recovery at the present time being around 75 per cent. The company continues to work on this metallurgical problem, and if it should be solved, earning power would be increased substantially.

Operations of **Wright-Hargreaves,** one of Canada's oldest gold producers, have been in a declining trend since the early '40s. However, the company has recently been finding ore almost double the mine average. The shares are, to a large extent, a speculation on the possibility of uncovering a large amount of such ore. Wright is also participating in some outside exploratory work which might bear fruit over a long period of years. END

Natural Gas Industry

(*Continued from page* 375)

air-conditioner had been a great disappointment to the industry, which had expected to move rapidly into this new field. Unquestionably gas for that purpose would have to overcome a mental hazard on the part of people, who would feel that if it did not function properly it would be dangerous, especially with odorless gas. Servel finally gave up the fight, and Arkansas-Louisiana Gas, with its highly aggressive new management, a few months ago bought the Servel factory and started an ambitious program for mass production of the appliance at reduced costs and prices.

Then the American Gas Association recently stated: "Utility companies all over the country lined up to support the new Arkla-Servel air conditioner, through sales commitments far exceeding original quotas. An additional number of manufacturers displayed keen interest in a new type of gas air conditioner whose development was completed during the year under accelerated AGA research." One of the units,

the Swiss open-cycle system, was being demonstrated late in the year, and two others, the free piston engine-compressor unit and the improved absorption system, were being readied for showing early in 1958.

Supreme Court Decision on Rates

Turning from the retail picture to the troubles of the wholesalers and the pipelines: the FPC machinery for regulating the rates of interstate gas utilities had already begun to creak and groan a year or so ago (due to an inadequate staff and Supreme Court decisions changing the methods and scope of regulation) and has now been brought almost to a halt so far as rates are concerned by the revolutionary Memphis case decision, handed down by the Circuit Court of Appeals for the District of Columbia last November.

The rising cost of exploring for oil and gas reserves, and the cost of drilling new wells, have advanced sharply in recent years and at the same time the demand for gas has skyrocketed. The two factors together have resulted in a sudden increase in the field price of gas, which in earlier years was often "flared" to get rid of it. This resulted in higher costs to producers, which were passed on to wholesalers and pipelines, and still later to the retail distributors, which in turn had to collect these higher costs from the public. The efforts to process all these duplicate and triplicate increases in costs and rates has been divided among the Federal and State authorities, with the FPC bearing the greatest burden. The commission now has a huge backlog of cases, some involving the reasonableness of higher rates charged over the past two or three years. The question whether or not these rates were justified affects the past and present share earnings of a number of large gas companies—mostly wholesalers, and a few like Columbia Gas which also have retail distribution.

The Memphis Decision was based on the Circuit Court's feeling (supported in part by two earlier Supreme Court decisions) that the sanctity of contracts had been largely ignored, and that much of the past regulation of rates by the FPC had been based on misinterpretation of the Natural Gas Act. The decision, if upheld by the Supreme Court this fall or winter, will apparently narrow the commission's responsibility to a review of contracts between various gas companies, muncipalities, and other large wholesale customers. (The bulk of retail rate regulation is not contractual and will remain in the hands of the state commissioners.) The well-established practice of recent years of requesting rate increases (generally covered under existing contracts by so-called escalator clauses) and putting them into effect "under bond" five months after filing (assuming that the FPC has not acted in the meantime) would no longer be permissible under the Memphis Decision.

To meet the exigencies of mounting capital costs and the desire to maintain share earnings, a number of gas utilities have attempted to follow the Memphis line by securing new contracts from their wholesale customers to cover interim rate increases, pending a final decision on Memphis. But in doing so they have encountered two serious difficulties: in many cases contracts must be made with a number of customers, and a single holdout may jeopardize the agreement; and thus far the experience has been that most customers are willing to agree to increase only on a 6% return basis, and not on the 6½% (or more) which is considered necessary these days to offset higher money rates and yield a fair equity return. Texas Gas Transmission, Southern Natural Gas and Natural Gas Pipeline of America (subsidiary of Peoples Gas) have been able to effect new agreements with their customers on such a compromise basis, but other pipelines such as Colorado Interstate, Northern Natural Gas, Panhandle and Tennessee Gas Transmission have not thus far been successful in working out new arrangements.

The average investor naturally has considerable difficulty in keeping informed as to these important developments with respect to the pipelines. For the present, at least, he should perhaps confine his investments in the industry to the retail stocks, except in a few cases where pipelines have long stable records and good equity ratios. —END

Chances For Stocks That Have Declined Sharply

(*Continued from page* 362)

oversupply of dissolving pulp, poor conditions among the industries served, and increasing foreign competition. The stock has sold down by about 60% from the high of 45, and now seems more closely in line with respect to medium term prospects. The current dividend, which was reduced to a 10¢ quarterly rate, was not covered during the first period. The growth rate of Rayonier's sales is linked to paper, acetate and rayon, and these products do not appear particularly dynamic.

Reynolds Metals Company illustrates the problems confronting the aluminum industry, in which the great bulk of new plant construction flowered into production this year against the general economic recession. Despite the existence of new or modernized plants, profit margins have been squeezed, and cuts in aluminum prices have been experienced. In spite of this situation, Reynolds maintained earnings at levels only modestly below 1957, and full year results should be close to \$2.30 compared with \$3.28 last year. Reynolds is considered to be an aggressive company within the aluminum industry, and the long term outlook for aluminum seems fairly well established. At the current price for Reynolds of around 40, which is 50% down from the high of 85, the stock should hold more than average appeal for the long term investor.

Royal McBee Corp. stock dropped rapidly from a high ground of around 40 to a price of under 20 when the decline in consumer and industrial purchases of typewriters began to exact a serious toll on earnings. The effect of Royal McBee's heavy financing, together with large appropriations out of income for the McBee systems and the Royal Precision affiliate, were further catalysts for the market decline. Earnings in the nine months ending April 30 fell to 22¢ a share but could improve to about \$1.75 for the fiscal year beginning August 1. The stock is rated lower in quality than other office equipment issues.

St. Regis Paper Co. is reflecting at the current price of 33 the results of heavy competition throughout the paper and lumber industries. Owing to curtailments and the failure of earnings to meet earlier expectations, the stock has performed erratically and is now approximately 45% below the high of 60⅛. The company has nevertheless made strategic acquisitions during the past few years, and the various mills have been extensively modernized. At the current price of 33, the stock evaluates 1958 estimates of around \$2 per share at about 16 times. Earnings are believed capable of showing considerable improvement at higher levels of production, although the poor period of demand which is apt to last for some time indicates that this consideration must be regarded as academic for the time being. In relation to other stocks in this industry, St. Regis common offers a higher yield and is reasonable on a comparative basis as to the price/earnings multiple, and hence the stock is attractive for the long term investor, although the price-earnings ratio seems somewhat high under today's conditions.

Thompson Products common stock is selling 44 points below the high, a decline of nearly 50%. Recent strength in the stock has been ascribable to improved orders at Ramo Wooldridge, which enjoys an excellent reputation in advanced instrumentation. Sales of other Thompson divisions, notably those concerned with the automobile industry, have fallen off. Earnings for the year 1958 are expected to range in the neighborhood of $3 per share, compared with $4.20 in 1957, and for this reason, the stock cannot be considered cheap at this level. An improvement in the automobile industry would of course be helpful, but such may not materialize this year.

United Shoe Machinery Corporation appears to have turned a very significant corner for the better after the bitter effects of the Supreme Court's consent decree which doomed USMC's former specialty of shoe machinery rentals. The new forms of leases are meanwhile proving to be profitable, and with the aid of an excellent cash position, the company is aggressively moving into data processing and ticketing via the Kimball Division, the packaging industry, adhesives for all purposes, electronics, electromechanical devices, automation machinery and devices for atomic reactors. The severe drop in price (from around 61 to as low as 30¼) reflected declining earnings under the running out of old shoe machinery leases, a phase which appears to have ended and has turned for the better. In March 1958, the company paid an extra of 50¢ per share, which, combined with the regular $2.50 disbursement, produces a yield of over 6½%. Unless there is a major down turn in earnings, which seems unlikely, it is probable that the extra will be paid again in early 1959.

This distinguished old Boston "blue chip", once one of the strongest of industrial equities, is held by over 27,000 individual and institutional investors. The company gives every evidence of having successfully made a difficult transition in its operating methods. There is good reason to believe that USMC has as good a chance as any, and a better chance then most, of regaining its former high price, the uncertain business outlook notwithstanding. END

Our National Debt Is Much Greater Than You Think

(*Continued from page* 359)

scurrying in the Treasury.

Some Show a Profit

The four which are not Government financed include the Banks for Cooperatives, Federal Deposit Insurance Corporation, Federal Home Loan Banks, and the International Finance Corporation. They have combined assets of $4.5 billion, all in Trust Fund deposit with the Federal Treasury. These institutions are operating now at a profit. Premiums paid in are exceeding payments to insured depositors. In the case of the IFC, interest earned exceeds operating costs. Just what proportion of deposits in the Nation's banks and savings and loan institutions is covered by Federal Insurance is not easily determinable—$190 billion would be a conservative estimate.

Federally financed public utilities have been mentioned. About the largest of these is the Tennessee Valley Authority, initially financed by direct Federal appropriation and now a supposedly profitable wholly-owned Government power corporation which, by the way, has branched out into the production of fertilizer and into other operations. Revenues from sales of power and by-products present TVA as a money-making deal for the Government. Analysis of the TVA structure rejects the thesis for the reason that TVA's initial capitalization bore no relation to realities. Much of the cost of TVA was charged off to flood control, navigation, recreation, fish and wild life, and other non-reimbursable expenditures. This accounting procedure amounted to a basic capitalization of power production facilities far below their actual cost. Power rates, however, were based on this artificially low figure, rather than upon the actual cost of the project. This is true of every other Federally owned and operated electric utility. All of them have been of benefit to their contiguous areas, but at the expense of taxpayers *everywhere*. Here we have an indirect Federal obligation which may not necessarily be included—certainly not calcul-

able for statistical purpose. But still a Federal obligation!

When the researcher delves into so vast a subject as contingent liabilities of the Federal establishment he runs into bureaucratic evasions and double talk. However, there are some records which are unassailable, especially those which are drawn out by patient, persistent probing of Capitol Hill Committees. Such a probe occurred in mid-summer of 1957 when the Senate Finance Committee, Chairmanned by Sen. Harry Flood Byrd, Virginia Democrat, conducted an investigation of the Financial Condition of the United States.

Chief witness before the Committee was the then-Secretary of Treasury George M. Humphrey who submitted the following gargantuan figures on contingent Federal Debt.

Loans guaranteed or insured by Federal Agencies	$ 40,068,000,000
Federally guaranteed insurance in force	209,003,000,000
Guaranteed Postal Savings Certificates	1,627,000,000
Face Amount of Guaranteed Federal Reserve Notes	27,476,000,000
Undisbursed commitments to make future loans	3,252,000,000
Other undisbursed commitments	609,000,000
Total commitments to purchase mortgages	360,000,000
Commitments to guarantee various loans	3,807,000,000
Unpaid Subscription; International Bank for Reconstruction and Development	2,540,000,000
Total	$288,742,000,000

Secretary Humphrey's recapitulation was for the calendar year ending December 31, 1956. There have been changes since that date, none of which would lower the $288.7 billion figure. On the contrary, it might be boosted by as much as $10 billion under the Government's liberalized mortgage loan guarantees, especially to veterans who can again purchase homes without down payment, and to a liberalized unemployment compensation program. In addition, there is now available $375 million to aid communities in economically depressed areas. In the immediate offing is an expansion of Social Security benefits, but without immediate increase in taxes to support the increase.

At the outset it was said that the National Debt stands at about twice the revealed figure, and the National Debt is *only* the bonded debt of the Treasury. Tabulated herein are equally binding obligations as of Dec. 31, 1956) $8.7 billion above today's statutory $280 billion ceiling. The United States is not, in the parlance of the streets, "broke," but the United States Treasury is obligated for more than double the amount of Public Debt as published periodically by the Department of the Treasury. END

Southern Pacific Building for the Future

(*Continued from page* 377)

yards had been filled.

Despite the billion dollar program, the system's funded debt and fixed charges have grown less than one would have supposed. Funded debt (including equipment obligations(increased approximately $195.1 million from December 31, 1947 to December 31, 1957. The balance of the program was financed out of retained earnings.

Reviewing the company's improvement program over the past decade and the visible benefits in 1957, it seems a fair statement that the Southern Pacific has never been in such good physical condition or at a more promising level of operational efficiency. This being the case, it follows that any upturn of consequence in freight volume will be accompanied by a good recovery in net.

The Burden

We turn next to the problem which has plagued the entire railroad industry as well as Southern Pacific, this of course being passenger traffic and the losses which are involved for almost all major carriers in this part of the business. Little if any improvement in passenger revenues is in prospect. However, steady progress is being made in abandonment of unprofitable passenger lines. During 1957 Southern Pacific cut train miles by 527,482 through discontinuance of little used passenger trains (some of which carried less than three revenue passengers a trip). During 1956 there was also a reduction of over one half million miles in passenger train miles, while there was a two million train mile reduction in 1955.

Passenger revenues have declined from 6.5% of total revenues in 1953 to 4.9% of total revenues in 1957, and seem likely to decline further, as the railroad is seeking to eliminate other losing passenger service operations. The I.C.C. has recently permitted the company to discontinue a ferryboat service between San Francisco and Oakland which was reported to have lost $3.0 million

(*Please turn to page* 393)

Keeping Abreast of Corporate Developments

American Optical Co. has diversified operations further by acquisition of Hanau Engineering Co. Inc. of Buffalo, maufacturer of dental equipment. The latter company will be operated as a subsidiary.

General Electric. Co. has designed a new custom gas furnace to complement the latest trends in modern home living. This furnace can actually be placed in a foyer closet. Taking up less tha 40 to 60% space formerly occupied by an older model to do the same work, the new furnace not only affords extra storage area, but also offers more economical operation of the unit. Affixed to the top of the unit is a small cooling coil enclosure to give year-round air-conditioning.

American Can Co. has a new milk carton filling and sealing machine that turns out filled Canco cartons at a rate of 240 quarts a minute—twice as fast as any previous model. The actual filling of individual cartons, however, takes about 2 seconds longer than on slower speed models. An American Can spokesman explains that the slower filling helps control traditional dairy problems of foam and consequent spillage.

General Motors Corp. is entering the electric utility equipment field. Electro-Motive Division of G.M. has announced a new design of transportable peaking and reserve plant with 6000 KW capacity.

The new plant is designed to boost regular output during periods of peak demand.

The plant can be hauled from site to site on trailers. It can be set up on a lot no larger than that required for a small house. Technicians of General Motors said the cost $85 per KW or $510,000 for a 6000 KW plant—is about half that of fixed equipment.

The 6000-KW plant consists of 3 diesel-fueled generating units, weighing 50 tons each and a 17 ton control unit. Each generator unit is housed in a sound-deadened casing that muffles the engines' roar. The noise level is so low, according to the maufacturer, that the plant can be located in a residential neighborhood. One advantage, a spokesman of G.M. said, is that the plant can be placed in or near the area it is meant to supply. All it needs is a fuel tank and a concrete or stone base. It hooks into the existing power line system.

Ormet Corp., jointly owned by Olin Mathieson Chemical Corp. ad Revere Copper & Brass Inc., has put first of five aluminum reduction furnace lines into operation at $110 million plant under construction on Ohio River at Omal, Ohio. The new line has capacity of 100 tons a day. Other lines, scheduled to go into operation at 60 day intervals, will increase capacity to 180,000 tons a year, of which Olin will take 120,000 tons and Revere Copper 60,000 tons. A large aluminum rolling mill next to the plant will be completed later this year, and first of three generating units at a power station being built by Ohio Power Co., subsidiary of American Electric Power Co., to supply power to Ormet will start operating shortly.

Otis Elevator Co. has sold its first "moving sidewalk" called Trav-o-lator that will be used on an avenue in San Diego, California. The device was purchased by an operator of a chain of hotels and motels to connect two hotels now under construction. The "Trav-o-lator" is comparable to a flattened escalator and will move on a bridge 127 ft. long, high over the street. The device has been under development for some time by Otis.

The "sidewalk" is 32 inches wide and can carry up to 7500 people per hour in either direction, according to Otis.

Westinghouse Electric Corp. of Metuchen, N. J. has entered the portable phonograph market with a line of 6 basic models, including a high fidelity model, 45 RPM model and both automatic and manual 4 speed phonographs. It is styled in luggage type cabinets finished in Pyroxlin-coated fabric. The new phonographs have front mounted speakers and separate volume and tone controls.

Zenith Radio Co. of Chicago, Illinois has introduced the Solaris, an eyeglass type hearing aide using the sun's rays for power. Silicon cells on temple bar are the same type that power a radio transmitter in the *(Please turn to page 394)*

in 1957. Progress in dropping passenger services has been slow, and the problem probably will always be with us. But progress is being made, and passenger service losses are expected to play a declining role in the company's future. Meanwhile, increases in passenger fares already effected and in prospect are expected to at least partly offset the steady decline in the number of passengers carried over the system.

Other Income

Of much greater interest from the investment viewpoint is the steady growth in the company's other income from diverse sources. This is composed of two parts. One part is the other income reported by the transportation system itself, and the other is income from solely controlled affiliates operating in the United States and Mexico.

Considering "other income" of the transportation system, this has grown from $9.1 million in 1947 to $22.4 million in 1957, while income from affiliates has grown from $2.2 million in 1947 to $7.9 million in 1957. In 1957 combined other income of the transportation system and of affiliates totaled $30.2 million, or approximately $3.34 a share, equal to approximately 55% of the net for the year.

The company's principal holdings are a 50% interest in Pacific Fruit Express, which operates over 35,000 "reefers" (refrigerator cars), and 88% of the Cotton Belt (St. Louis Southwestern Ry.) But the company's other interests go well beyond railroad and transportation operations.

Among the most important of these is Southern Pacific Pipe Lines, Inc. Now in its second year of operations, this affiliate earned $4,021,124 in 1957. Its operations are being expanded, and the longer term outlook is considered excellent.

Hidden Assets?

But what is most appealing to most long term investors and may well be of greatest long term value is Southern Pacific's extremely large holdings of land. The company and its solely controlled affiliates own over 3,901,000 acres of land and in addition own oil, gas, and mineral rights in 1,309,000 acres, principally land which the company has previously sold.

This land is located in the most highly mineralized and most rapidly growing part of the United States. Like most railroad systems, the Southern Pacific has been hard hit in many parts of its transportation operations by the steady rise in costs. But its holdings of land would appear to be the inflation hedge to end all inflation hedges, and to outweigh by a wide margin the unhappy aspects of the transportation system's losses on passenger traffic.

During 1957 the company's gross royalties and rentals from oil and gas totaled $3,684,685, while rentals from land and real estate rented for industrial and related purposes totaled $6,470,783. Total net profit of land companies was $1,309,617 in 1957.

In 1955 the company began a geological survey to seek more information on the mineral resources of its holdings, chiefly in California, Nevada, and Utah. It is expected to be several years before the survey is done. But mineral resources are not the only aspect of the company's real property holdings.

On May 19, 1958 the company announced it was planning a development of 10 to 15 acres of land located near its downtown San Francisco terminal. The area, which had been reserved for future railroad needs, would be developed for long term industrial leases.

One of the most favorable developments in some years is the recognition by Congress that the railroads have been too long neglected for the good of a country whose enormous size makes its transportation facilities of comparable importance. Under the leadership of Senator Smathers of Florida the Senate has passed a new aid bill which will be of material importance to all railroads, including the Southern Pacific.

Improving Investment Status

Not the least impressive aspect of Southern Pacific is what only can be properly called its growing investment popularity among both individual and institutional investors.

From December 31, 1947 to December 31, 1957 the number of stockholders increased from 48,205 to 71,873.

And as will be noted from the accompanying price chart and dividend record, both the investing public and the institutional investor have done well both in income and capital appreciation.

—END

Comparative Balance Sheet Items

	December 31 1948	1957	Change
ASSETS		(000 omitted)	
Net Invest. in Road, Equip. & Prop.	$1,287,962	$1,771,082	+$483,120
Invest. & Spec. Funds	348,176	288,092	— 60,084
Reserve for Adj. of Inv. Sec.	cr 137,317	cr 91,234	— 46,083
Other Assets	27,653	11,371	— 16,282
Cash & Marketable Secur.	115,815	115,060	— 755
Receivables, Net	32,066	53,774	+ 21,708
Materials & Supplies	45,966	24,633	— 21,333
Other Curr. Assets	16,179	4,413	— 11,766
TOTAL CURRENT ASSETS	210,025	197,880	— 12,145
TOTAL ASSETS	$1,736,499	$2,177,191	+$440,692
LIABILITIES			
Common Stock	$ 383,583	$ 424,875	+$ 41,292
Long Term Debt	568,463	705,934	+ 137,471
Surplus	541,076	843,758	+ 302,682
Payable to Affiliates	40,661	47,648	+ 6,983
Unadjusted Credits	30,309	....	— 30,309
Other Liabilities	2,119	32,796	+ 30,677
Excess Inter-Co. Liabilities over Assets	dr 61,996	dr 20,776	— 41,220
TOTAL CURRENT LIABILITIES	108,282	104,923	— 3,359
Casualty & Other Reserves	nil	38,033	+ 38,033
TOTAL LIABILITIES	$1,736,499	$2,177,191	+$440,692
WORKING CAPITAL	$ 101,743	$ 92,957	—$ 8,786
CURRENT RATIO	1.9	1.9	....

For Profit and Income

(*Continued from page* 379)

that buying it on small dips makes more sense than taking profits. Most other "mixed" situations look less attractive at present prices, including Bristol-Myers, Norwich Pharmacal and Sterling Drug. However, the more speculative Rexall Drug still looks moderately under-valued.

Rail Securities

There are moderate profit potentials, combined with good yields, in selected senior rail securities, with far less risk, of course, than in railroad common stocks. At this writing for example, current yields around 5% or a bit more are offered by the following bonds, among others: Central of Georgia 1st 4's, 1995; Chicago Milwaukee, St. Paul 1st 4's, 1994; and Southern Pacific 1st 5's, 1983. Good and secure yields are offered by selected railroad preferred stocks, as follows: Atchison \$0.50, 5.1%; Kansas City Southern \$2, 5.3%; and Southern Railway \$1, 5.6%.

Short Position

While the reported mid-May short position was the largest in 27 years, it remained much under earlier top levels when figured as a percentage of total listed shares. With investors wearing rose-colored glasses, the sizable short position is viewed as a bullish "cushion" under the market. Sure it is a potential cushion, but at what level? Short-sellers are principally professional traders. On a long-run average, they are smarter than amateur investors. But variations in the short position have never provided reliable "forecasts" of interim market swings, either up or down.

Foreign Factors

Companies with big foreign production have cost advantages but uncertain "political" prospects. Under present world conditions, we prefer any leading domestic oil stock, such as Shell or Phillips, to Gulf Oil, with so much of its output in Kuwait. For the same reason, we would feel more comfortable holding Phelps Dodge, major U. S. copper producer, for a longer-range recovery, than either Anaconda or Kennecott, both with major interests in unstable Chile.

Keeping Abreast of Corporate Developments

(*Continued from page* 392)

Navy's Vanguard satellite, the company stated. When sun rays are insufficient, the instrument operates on a tiny hearing aid battery.

Norwich Pharmacal Co. through its research laboratory is now developing seven new pharmaceutical products.

The new products include drugs for the treatment of mastitis, for the treatment of several of the most common diseases prevalent in fish raised in hatcheries, for the treatment of common mink disease and for treatment of several diseases prevalent in race horses. The Eaton executive pointed out there are approximately 38,000 race horses in the United States.

Drugs in human medicine include a product for the treatment of certain types of blood pressure, which may be available next year and a nitrofuran which seems to be effective against staphylococci, according to the Eaton executive.

Answers to Inquiries

(*Continued from page* 386)

"further inventory reductions by dealers". Indications are that total factory shipments for the first 3 months probably will run below those of last year. Retail sales, Hammond indicated, showed only a slight decline during the last few months and company anticipates a good Fall selling season.

No capital expenditures, except for normal replacements, are contemplated in the year ahead.

This year marks the 30th anniversary of the company.

Island Creek Coal Co.

"I have been a subscriber to your magazine for the past nine years and have benefited from your counsel. I would appreciate receiving late data on Island Creek Coal. Co."

C. J., Houston, Texas

Island Creek Coal Co. is the third largest U.S. bituminous coal producer.

Net sales of Island Creek Coal for 1957 were \$121,268,437, compared with \$117,487,619 in 1956.

Consolidated net profit last year amounted to $9,381,819, equivalent, after preferred dividends, to $4.26 per share on the 2,168,426 common share outstanding at the end of the year. Comparable consolidated net profit for 1956 was $8,793,072, equal to $4.03 on the 2,146,391 shares outstanding at the end of 1956.

Island Creek's export sales in 1957 increased by slightly more than 800,000 tons, or approximately 28% for the year, compared with a gain of 20% in total industry exports.

The sharp decline in the rate of industry activity, especially in the final quarter of the year, as well as the severe reduction in operating rate of the steel industry, resulted in an overall reduction in the demand for coal in 1957. The steel industry is a large consumer of Island Creek's production. This reduction in use continues through the first quarter of 1958 and precludes any firm forecast at this time of national coal production in 1958.

In the three months to March 31, 1958 net sales, etc. amounted to $22,966,312, net profit to $1,191,587, equal to 53 cents per share. This compares with first quarter 1957 net sales of $31,372,735, net profit $2,770,670 equal to $1.26 per share.

Current quarterly dividend is 50 cents per share. —END

BOOK REVIEWS

The World Is Mine

By CLAYTON RAND
and ROBERT SMITLEY

This absorbing history of moneymaking and speculation through the ages, from the Roman Panic of 33 A. D. to the present period of nuclear fear and world apprehension, will make for delectable fare to all but the faint of heart or weak of mind and stomach.

The task of hero and narrator has been assigned to Apollonius of Tyana, the celebrated Pythagorean philospher who was born of good family in the province of Cappadocia, Asia Minor, in the first century of our Christian era. A pagan saint and mystic, he was the heir to considerable wealth. Although he traveled widely all over the world, he conserved his patrimony, increased his fortune and, for the purposes of this lively (and otherwise authentic) narrative, found himself blessed with everlasting life.

Thus endowed, and cast in the role of wandering speculator and philosophical commentator, Apollonius takes active part in the making of history and survives the political and economic upheavals of almost 2000 years. He tarries in Constantinople when Byzantium is supreme, sojourns in China during the Golden Age of the T'ang Dynasty, and resides with the Incas of Peru at the peak of their power. His partnerships with Italian merchant prince Francesco Di Datini and with French financial genius Jacques Coeur are milestones in the economic growth of the western world.

Apollonius is on hand to witness the rise and fall of nations. His financial adventures give the reader an intimate view of the political and economic phenomena, both ancient and modern, which have decided the destiny of men throughout history. The emergence of capitalism, the appearance of the money barons in the United States and the birth of the giant corporations; the booms and the busts; the New Deal of Franklin D. Roosevelt, the Fair Deal of Harry Truman, and the Ordeal of Dwight D. Eisenhower—the significance of all this and more is accounted for in his chronicles.

Far from a dull exposition of the ways of trade, THE WORLD IS MINE offers well documented evidence that the pursuit of wealth may be as lively as the pursuit of happiness. The banker, broker, merchant, manufacturer, investor and curious student of finance and economics will find this a valuable and delightful work on the laws of cause and effect. It is a remarkable blending of fact and fancy, philosophy, finance, economics and common sense.

Fleet Publishing $4.95

Inside Russia Today

By JOHN GUNTHER

This important new book is written in the form and manner that Mr. Gunther has made his own, and which the earlier "Inside" volumes have made famous—that is, it is authoritative and comprehensive, and at the same time immensely readable; vast in scope, yet intimate; written with zest; packed with drama, color, personality, and a wealth of anecdote.

It is also an eye-opener. Scrupulously objective and fair-minded, *Inside Russia Today* cuts through partisanship and shows us the Soviet Union for what it really is, with all its puzzles and complexities. It takes the reader inside this continent-size country and reveals it geographically and historically, as well as in political, industrial, scientific, military, and above all human terms.

Here are the sights and sounds of Russia, the weather, the food, the essential atmosphere. Here are personal glimpses of every sort of Russian in almost every walk of life. Chapters on the theater, the ballet, sport, women, aviation, religion, crime, and the law are full of fresh and fascinating information. Here, above all, is the new, post-Stalin Russia, in which monolithic rigidity has been replaced by something much more fluid, experimental, dynamic and, perhaps, more dangerous. The extraordinary Soviet advances in science and education are documented and described with a wealth of detail available in no other book.

In the course of his most recent visit to Russia—his fourth—Mr. Gunther went to such remote, romantic places as Samarkand and Bukhara in Central Asia. Everywhere he observed a society that is alert and eager to learn, and his observations clearly demonstrate the folly of underestimating the Russian people. He met all the principal party and government figures and, in addition to his characteristically vivid portraits of such key personalities as Krushchev and Bulganin, he has provided brief biographies of many important Russians who may create *tomorrow's* headlines.

Inside Russia Today will have a profound effect in awakening Americans to what is happening in the Soviet Union. It is certainly one of the most illuminating studies ever written about any country, as it is one of the timeliest and most useful. This book is essential reading for everyone who hopes to understand the struggle for power and the chances for peace in today's world.

Harper $5.95

The Big Change In Europe

By BLAIR BOLLES

This book is a comprehensive view of Europe, east and west, and the great change it has undergone since the first election of Eisenhower and the death of Stalin. This change, Mr. Bolles shows, has been largely made in the U.S.A. though the result is not always what we intended or dreamed.

Here is the complete picture of political Europe, military Europe, Europe of the colonies, Europe groping toward unity, in sum, the life of Europe. The book begins with a look at the way people live in western Europe and in satellite Europe. Then it passes on to the individual countries and their notables. It ends with chapters on Russia and the United States as they affect the Europeans and with an analysis of our foreign policy.

In short, this book is a history of our times, a period of change so great that it is difficult to believe it has taken place in so brief a time. It is history presented mainly as a portrait gallery of our contemporaries of Americans and Europeans, of churchmen and communists, supermen and unknown men, of all the people aiding or blocking our struggle for survival.

Norton $5.95

IMPORTANT MESSAGE... To Every Investor

With Securities Worth $20,000 or More

America is squaring off for the next round in the anti-recession fight! In the months ahead, *every security you own* may be affected —favorably or adversely.

You will want to sell or avoid issues likely to be hit by the wave of dividend cuts or omissions—the companies whose first quarter earnings will shock shareholders — the stocks that will bear the brunt of selling pressure

You will want to buy and hold the exceptional opportunities that emerge in every period of industrial transition—the companies that will get the bulk of defense and public works contracts—the prime beneficiaries of the amazing strides being made in scientific and industrial technology.

With business and security prices in the throes of adjustment to new conditions, you have much to gain from Investment Management Service—which has successfully aided investors in markets of every type to protect and build their capital and income . . . looking to future financial independence.

Expert Analysis of Your Present Holdings:

Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

Issues to Hold and Advantageous Revisions:

Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unusually promising 1958 prospects and longer term profit potentials.

Close Continuous Supervision of All Holdings:

Thereafter—your securities are held under the constant observation of a trained, experienced Account Executive. Working closely with the Directing Board, he takes the initiative in advising you continuously as to the position of your holdings. *It is never necessary for you to consult us.*

When changes are recommended, precise instructions as to why to sell or buy are given, together with counsel as to the prices at which to act. Alert counsel by first class mail or air mail and by telegraph relieves you of any doubt concerning your investments.

Complete Consultation Privileges:

You can consult us on any special investment problem you may face. Our contacts and original research sometimes offer you aid not obtainable elsewhere—to help you to save—to make money.

Help in Minimizing Your Taxes:

We keep in mind the tax consequences of each transaction and help you to minimize your tax liability under the new tax provisions. (Our annual fee is allowed as a deduction from your income for Federal Income Tax purposes, considerably reducing the net cost to you.)

Annual Personal Progress Reports:

Throughout the year we keep a complete record of each transaction as you follow our advice. At the end of your annual enrollment you receive our audit of the progress of your account showing just how it has grown in value and the amounts of income it has produced for you.

Full information on Investment Management Service is yours for the asking. Our rates are based on the present value of securities and cash to be supervised—so if you will let us know the present worth of your account—or send us a list of your holdings for evaluation—we shall be glad to quote an exact annual fee . . . and to answer any questions as to how our counsel can benefit you.

INVESTMENT MANAGEMENT SERVICE

A division of THE MAGAZINE OF WALL STREET. *A background of fifty years of service.*

90 BROAD STREET NEW YORK 4, N. Y.

1957
,435,000
1.40
0.97½
,198,000

INC.

RPORATION
PORATION
K 17, N. Y.

E AVENUE,
FUEL GAS
GROUP:
ST BLDG..